BUSINESS & COMMUNITY FOUNDATION

# CSR

## PRIMER

**FOR MANAGERS**
**& PRACTITIONERS**

## PREFACE

Notions of giving and sharing are ingrained in the multicultural and religious texts of many societies and have been practiced in different ways since time immemorial through charity and later as philanthropy by business. Corporate Social Responsibility (CSR) has evolved over the ages and meant different things to different people depending on who they are their context and their lived realities. However, corporate responsibility must be fixed before the social can be even attempted.

The first principle is undoubtedly 'do no harm to people and the planet' and then 'do well by doing good.' Giving back to society must come from within the core values of integrity and ethics. 'How profits are made?' is as important if not more than what is given away. It is also not about just 'greenwash' or a public relations exercise.

In BCF's journey of twenty-five years, we have been constantly asked for references, books, and other materials for a deeper insight into the subject. While the Internet is a valuable resource, managers, and practitioners have expressed a need for a brief overview of the current developments, concerns, and context in a succinct form. This Primer was designed to meet that need.

This primer is a basic guide on CSR spread over eight chapters. It outlines the philosophy, genesis, evolution, scope, framework, models, standards, business case, and drivers of CSR. The philosophical background in Section I brings out how the concept of 'social good as part of business' is deep-rooted in some countries. It also puts together the evolution of CSR in pre and post-independent India as well as in the global context. The section enumerates the ambit of different theories and models available on CSR and explores the case for and against CSR.

Section II outlines the plethora of CSR terminologies, jargon, definitions, and typology available in the public domain. Once the foundation is in place, the next step is to develop the external dimension or the science of CSR. This refers to the planning and management aspects.

Section III brings out the fact that CSR needs to be looked upon as a management tool and not as a cost centre. Section IV touches upon the efficacy of different actors, drivers, players, and stakeholders – employees, community, consumers, environment, supply chain, and partnerships that together help to integrate responsible practices within the core of the business and thereby ensure its sustainability.

Section V looks at the implementation and management of CSR. It gives an overview of the CSR toolbox – guidelines, principles, frameworks, systems, methodology, policy, and structure. Section VI concludes with some future perspectives and reiterates that the underlying challenge for CSR is how to demonstrate a clear link between a company's commercial objectives and the wider goals of society. The Companies Act and subsequent amendments are also covered.

The Dalai Lama speaks of responsibility from the *"interconnectedness"* - What affects one affects the other sooner than later. The Idea of 'Trusteeship' enunciated by Gandhiji served India well during and after the Freedom struggle. *"The world has enough for people's needs but not for people's greed"* should serve as the basis for responsible action.

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Based on the positive response and success of the second first, second & third Primer, as well as acknowledging the need to reflect new developments in The Companies Act 2013, the SEBI (Securities Exchange Board of India) Business Responsibility Reporting (BRR), etc this fourth edition is being brought out which has the latest development in the CSR arena.

We hope you find this edition to be an invaluable asset as you work to mainstream responsible business practice practices.

***Business & Community Foundation (BCF)***
***New Delhi***

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## SECTION I: EVOLUTION OF CSR

*Corporate Social Responsibility or CSR has many definitions, versions, and perspectives. It continues to evolve the world over.* As it matures, it is acquiring notions of accountability and transparency. It is also expanding its significance and role to fit into broader developmental concepts such as sustainable development, and environmental, social, and governance (ESG) principles.

CSR has a variety of proxy terms including:

- Responsible Business Practice
- Corporate Citizenship
- Corporate Social Investment
- Corporate Sustainability
- Triple Bottom Line
- Socially Responsible Investment
- Business Sustainability
- Environment, Social, and Governance (ESG)

While we take note of this development (and elaborate on the new developments later in this Primer), we use 'CSR' throughout this book since it remains the most widely recognised term, and, is, in its core spirit, broad and inclusive enough to accommodate all the evolving developments. As CSR is poised to see an expansion, we look at concepts beyond the 'traditional realm of CSR' and note its new 'avatars.' When we look at the practice of CSR in India today, we notice that it is being practiced by different types of companies of varying sizes – PSUs, private, Indian companies, and multinational corporations (MNC) operating here. Both practice and perceptions vary.

The tradition of "giving back" existed even before the industrial revolution in India in the 20th century, and as "trusteeship" during the freedom struggle by Mahatma Gandhi. Religion, philosophy, and history have an influence over how Giving gets articulated within a cultural context and how its definition, understanding, and practice evolve over a period. In this sense, it is interesting to understand the philosophical background behind 'Philanthropic thought' in India, how the pre and post-independence forces shaped it and the kind of models formed. At the same time, it is important to understand how CSR evolved across the world and some key emerging perspectives on CSR.

In 2008, the Institute of Rural Research and Development and the Times Foundation carried out a survey titled 'CSR Practices in India'. The online survey covered 11 Public Sector Undertakings (PSUs), 39 private national agencies, and 32 private multinationals. The findings highlight the gap between urban India and rural Bharat: urban India gets attention whereas rural India does not. The survey shows that the main areas of CSR activities are in the vicinity of the companies. Philanthropy still heavily drives CSR, but reputation, employee morale building, and competitiveness are increasingly being found to be the driving forces behind CSR practice. All respondents saw CSR initiatives as a catalyst in bringing about positive change. The study notes that 25 percent of companies rate the CSR practice of their own organisations as high and 46 percent as medium. Even so, few companies had a policy on Corporate Responsibility but will now have to under the Companies Act 2013.

## PHILOSOPHICAL BACKGROUND

***The theory of trusteeship envisages economic equality in the ideal state. Gandhi had advocated that any superfluous wealth should be held in trust.***

Religion and charity have always been linked in India with business, founded on 'giving' is good. The term, 'Loksamagraha,' finds mentioned in chapter III (20) of 'Gita'. Loksamagraha means binding men together, regulating them such that they acquire strength from cooperation among the serving elements including corporates.

The ancient Indian scriptures like the Vedas, Upanishads, Smritis, and Dharmas preach the virtues of sacrifice and coexistence. In Vedic mythology, business has been seen as a legitimate, integral part of society. Its core function is to create wealth for society through manufacturing, domestic distribution, foreign trade, financing, and other related activities. It emphasises work for an economic structure based on 'Sarvalokahitam' which means "the well-being of all stakeholders."

References are also available in other ancient texts such as one from Arthashastra, *"Praja sukhe sukham, Shrestha, prajanam chahite hitam; Natmapriyam hitam shreshtha, prajanam tu priyam hitam."* This is the concept of the Shreshthadharma – that the better off one is in society, the higher should be one's sense of responsibility.

Mahatma Gandhi advocated the system of trusteeship first articulated by Prof Dantewala, which requires that property under the control of a private person, should regard himself as its protector, not its master. This is derived from the ideal of non-possession (aparigraha) given in the Sopanishada. Influenced by Gandhi, most of the businessmen in India saw their business empires as a 'trust' held in the interest of the community at large. Businesses made significant contributions to support schools, colleges, and hospitals and later shifted to supporting technical training, public health, and rural development.

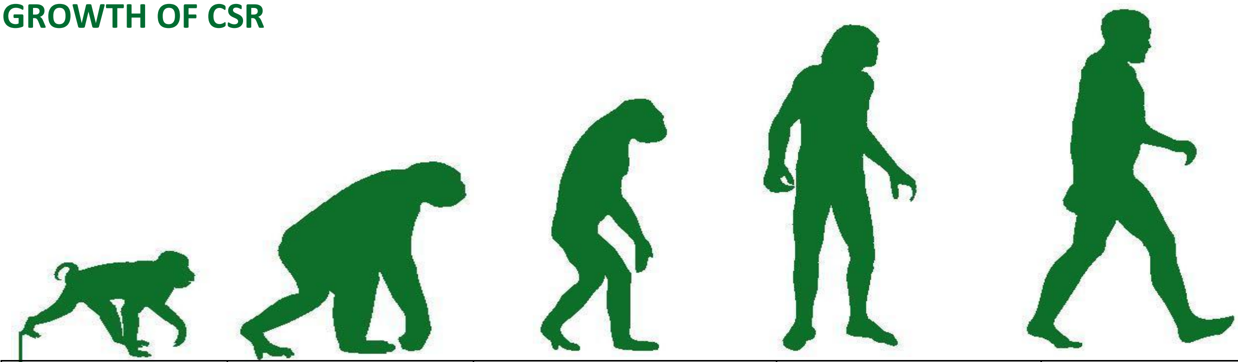
The Dalai Lama speaks about 'interconnectedness' as a rationale for responsibility. CSR in the Indian traditional sense of business has been about corporates striving for the societal good. The concept of 'social good as part of a business 'was ingrained in India in the early years and showed the way to the rest of the world. Arising out of this sense of responsibility was the CSR imperative in the Indian business context. This is the words of JRD Tata, "That no success or achievement in material terms is worthwhile unless it serves the needs or interests of the country and its people."

## BUSINESS GROWTH: PRE AND POST-INDEPENDENT INDIA

Around the mid-nineteenth century, the skills and material resources available in India attracted the attention of the West and Europe and encouraged the business community in India to industrialise. This also initiated the evolution of business houses and corporates in India, with the integration of traditional charity as a part of business. This entwining of business and social responsibility continued more as a manifestation of welfare and philanthropy until the independence of India and was self-driven without any demands and dictates from society.

Post-independence, the democratic set-up and the rights enshrined in the Indian Constitution shaped a new socio-political order in which the development of society required industrialisation. The pre-independence governance through the then-existing feudal system fell short of the aspirations of the people and their quest for development. Hence, post-independence, a democratic setup with the mainstay of development with an emphasis on public sector organisations was conceptualised with a focus on community development. Even today some PSUs continue to connect with local communities and create access to assets in rural areas through open educational, health, sports, and infrastructure facilities. The Directive principles of state policy also encouraged the social aspect.

## GROWTH OF CSR



| | | | | |
|---|---|---|---|---|
| From Profit Focus<br>A company exists only for short-term stakeholder profit | For Philanthropy<br>Passive donations to charities when requested | To Community Affairs<br>Strategic giving linked to business interests (includes cause-related) | To Corporate Community<br>Investment strategic partnerships initiated by a Company | To Sustainable Business<br>Integrated into business functions, goals, and strategy |

In the late 1980s, beliefs emerged that government intervention in development led to the 'Quota Raj' or 'Licence Raj.' As a result, the social responsibility of businesses suffered. Liberalisation of the economy in 1991 saw the private sector become an entity. This new economic era also saw many scams and scandals, the growth of corruption, and a widening divide between the "haves and have-nots". There was a gradual transformation from the charity-oriented approach to the stakeholder-oriented approach where the target group was seen as a stakeholder in the community whose well-being was integral to the long-term success of the company. "No industry can survive in isolation of the community in which it operates. We must share the wealth we create," said Dr. J. J. Irani. Some changes started to happen at the implementation stages where companies started committing manpower and expertise in addition to financial resources in order to provide a host of services, programmes, and schemes flexible enough to accommodate the needs of the local community. CSR initiatives now also see greater people participation at all stages and tighter international accountability standards. The issue of norms for corporate social responsibility is aided by industry practices such as benchmarking, CSR ratings, and certification by different agencies. Much remains to be done both at the level of regulation as well as serious initiatives by industry responding to the developmental needs of India – not just with funds but strategies and solutions. A strong regularity framework is also required.

## MODELS OF CSR

***The Political Economy of Corporate Responsibility in India*, a programme paper released in 2006 by the United Nations Research Institute for Social Development presents a comprehensive overview of the history and context of CSR in India. It includes an overview of contemporary CSR initiatives in India as well as additional background on the drivers of CSR.**

***A survey by the Tata Energy Research Institute (TERI) called Altered Images: the 2001 State of Corporate Responsibility in India Poll traces back the history of CSR in India and suggests that there are four models.***

Ethical model - The origin of the first ethical model of corporate responsibility lies in the pioneering efforts of 19th-century corporate philanthropists such as the Tatas in India. The pressure on Indian industrialists to demonstrate their commitment to social development increased during the independence movement.

The history of Indian corporate philanthropy has encompassed cash / in-kind donations, and the provision of essential services such as schools, libraries, hospitals, Universities, the Indian Institute of Science, etc. Many firms, particularly family-run businesses, continue to support such philanthropic initiatives even today.

Statist model - A second model of CSR emerged in India after independence in 1947, when India adopted the socialist and mixed economy framework with a large public sector and state-owned companies. Elements of corporate responsibility, especially those relating to community development and worker relationships, were enshrined in labour laws and management principles. This state-sponsored corporate philosophy still operates in numerous public sector companies to date.

Liberal Model - The worldwide trend towards privatisation and deregulation underpinned a third model of corporate responsibility – that companies are solely responsible to their owners.

This approach was encapsulated by the American economist Milton Friedman, who in 1958 challenged the very notion of corporate responsibility for anything other than the economic bottom line. Many in the corporate world would agree with this concept, arguing that it is sufficient for businesses to obey the law and generate wealth, which through taxation and private charitable choices can be directed to social ends.

Stakeholder Model - The rise of globalisation has brought a consensus that business has a growing range of social obligations. Citizen campaigns against irresponsible corporate behaviour along with consumer action and increasing shareholder pressure have given rise to the stakeholder model of corporate responsibility. This view is often associated with Edward Freeman, who brought stakeholders into the mainstream of management literature. According to Freeman, "A stakeholder is any group or individual who can affect or is affected by the achievement of the organisation's objectives. "The work of Jagdish Sheth and research on "Firms of Endearment" talk about a new paradigm, fusing purpose into profit and the "digital Fish Bowl" concept of stakeholders such as media and community.

## EVOLUTION OF CSR IN THE GLOBAL CONTEXT

### Growth of the Concept throughout the Decades

The first serious academic work on CSR is traced back to the 1950s to the work of Howard Bowen, who is referred to as the 'Father of CSR' in academic circles. His book, *Social Responsibility of the Businessman,* is considered a seminal work on the subject.

The 1960s saw the development of several initial definitions of CSR, and the 1970s saw those definitions getting more specific. It was in the 1970s that the idea of corporate responsiveness, in addition to CSR, emerged, and corporate social performance (CSP) later emerged as a concept that encompassed CSR, corporate responsiveness, and social issues.

The 1980s were full of measurement work, research, and the emergence of alternative themes within the area. It was in the 1990s that themes were shaped into definitive theories such as Stakeholder theory, Business Ethics theory, and Corporate Citizenship theories. Archie B. Carroll's work gives a good overview of this evolution.

### An emerging perspective on CSR as a counter-response to more State regulation

Conventional businesses that maintain that the 'business of business is business' hold no specific sense of a larger responsibility beyond profits. Neo-liberals believe the free market can ensure 'fair' development. When that was found to be not quite the case and pressure for greater state control mounted, CSR emerged as a counter-response to this pressure: businesses wanted to self-initiate acts of responsibility in order to earn the right not to be regulated. In this sense, CSR is a voluntary step taken by businesses of not only responsibility but pragmatic self-interest.

## THEORIES

### Perspectives on CSR have led to the development of several theories broadly classified into four groups

***Instrumental theories*** pitch CSR to the organisational goals of wealth creation, thereby leveraging the utilitarian motive of businesses. Cause-related marketing and CSR as a strategy for competitive advantage are versions of this thinking.

***Political theories*** bring attention to the responsible use of the power of businesses in society: the social contract theory and corporate citizenship theory form a part.

***Integrative theories*** advocate harmonising multiple interests and goals: Stakeholder management and the concept of CSP fall into this group.

***Ethical theories*** are based on ethics and morality. Approaching CSR from a universal rights perspective and sustainable development are examples of such theories based on moral philosophy. Elisabet Garriga and Domenec Mele discuss the theories in detail in their work.

### CSR as a partnership for development?

Corporations and development institutions are increasingly arguing that CSR is a way in which businesses and society can become 'partners' for development. Public-private partnerships are considered strategies for development. Critics warn against any simplistic assessment of such partnerships if cooperation will lead to co-option.

Dr. Ananya Mukherjee and Prof. Darryl Reed of York University Canada look at four models of partnership between business and society for development and help contextualise CSR in the larger picture of development:

1. Conventional Business Partnerships are the first model. They are driven by the profit motive alone.
2. CSR Partnerships are a second model of partnerships with society that are voluntary, business initiated, and driven by business incentives. Although its proponents claim that it holds greater potential for development than conventional partnerships, the fact that they are driven primarily by business interests tilts the benefits in favour of the businesses. As many critics suggest, its voluntary nature also allows for the 'abuse' of CSR for corporate image building.
3. A third model of partnership, Corporate Accountability Partnerships seeks to hold companies up to standards initiated by the society and/or the state. These partnerships eschew the voluntary model of CSR and focus on enforceability and universality – resulting in third-party audits, verifications, and monitoring by social actors.
4. The fourth model is the Social Economy Partnership between alternative businesses and relevant social actors. The alternative enterprises are centered on alternative ethical and governance structures and are built around a social purpose, such as fair-trade co-operatives, credit unions, producer-owned companies, and social enterprises.

A group of scholars at Case Western Reserve have taken the Boston College Centre for Corporate Community Relations study on stages of corporate citizenship and identified a frontier where firms move beyond traditional standards of CSR and sustainability. Under the banner of 'revolutionary renewal,' they identify a state where companies actively contribute to the repair of the environment and rebuilding of societies. In this case, the strategic intent of the firm is not simply to go about its business responsibility and sustainability; it is to make a responsible and sustainable business out of addressing the world's social and environmental needs.

Questions arise as to whether Corporations should take on some of the shrinking role of the welfare state. Is this advisable or even desirable? If the role of the Corporation in lobbying for its own interest creates inequity in society, can it then be expected to work in the larger public interest? And yet are governments alone able to handle the challenges of lack of development especially in India?

For those practicing CSR, the first premise of 'do no harm' to people and the planet must be followed before the second dictum 'do good' can be achieved. In developing economies, it is then pertinent to ask whether beyond these approaches business can become a positive force for development where poverty is endemic and inequalities grow despite economic growth. Perhaps an alternative more inclusive and equitable paradigm is required that challenges control and power in the hands of an "elite" in a few economic sectors including Finance, pharmaceuticals, and private healthcare through lobbying to create an environment that protects and enhances their interests further. The most prolific lobbying activities are in the US on Budget and tax issues, public resources that should be directed to benefit the whole population than reflect the interests of powerful lobbyists. (www.oxfam.org) January 2015.

## DEBATE ABOUT CSR AND ITS RELEVANCE

| Timeline | Milestones of CSR Debate |
|---|---|
| 1930 - 1940 | First corporate responsibility texts appear term CSR is coined in 1932 |
| 1935 - 1945 | New Deal and the Start of the Welfare State |
| 1945 - 1960 | Continued nationalisation (Europe), state enterprises (former colonies, Communist bloc), and post-war consensus (US) |
| 1960 – 1970 | Return of business and society debate |
| 1970 – 1980 | Shift from the responsibility of leaders to the responsibility of the companies |
| 1975 - 1985 | The debate about the nature of responsibilities and the larger context of accountability |
| 1980s – 1990 | Corporate responsibility as management practice (e.g., corporate social responsiveness); Introduction of stakeholder theory, work of Edward Freeman in 1984 |
| 1990s - 2000 | Environmental management<br>Corporate social performance |
| 1995 – Now | Stakeholder partnerships |
| 2000 – Now | Business and poverty |
| 2005 - Now | Sustainability |

** http://www.thebrokeronline.eu/ en/articles/A-delicatebusiness-CSR-debatetimeline*
*Source: Blowfield. M. and Murray, A. (2008) "Corporate Responsibility: A Critical Introduction". Oxford University*

### THE CASE FOR CSR

Modern corporations have been held responsible for many environmental and societal problems, and it seems natural that the responsibility to find solutions should also be placed on these corporations. Corporate social responsibility is seen as one of the tools to ensure that companies change products and processes that will cause less harm, and indeed, perhaps make things better over a period.

Corporations are now operating in an increasingly global setting. The social issues across continents are extremely complex. Living standards, wages, working conditions, and labour standards are vastly different in different countries.

There are frameworks at the global level that expect adherence to standards and regulations for labour, accountability, transparency, and reporting. This means that organisations must deal with many ethical issues. As stakeholders become increasingly sensitive to social and environmental issues and expectations rise, corporations will have to take a serious look at their role within society. Large corporations have access to huge human and financial capital placing them in a position to effect positive change. In the long run, this will perhaps increase their goodwill and reputation within society.

Research and experience have concluded that companies have earned benefits from engaging in CSR activities. These include stronger brand positioning, corporate image, market share, sales, ability to attract and retain employees, and appeal to investors and financial analysts. Academic research that has historically shown contradictory correlations between CSR and the financial performance of companies has recently been leaning towards confirming a positive correlation. This is a huge impetus that can fuel the responsibility debate and its implementation.

## THE CASE AGAINST CSR

Corporate social responsibility, as with all other ideas, has its detractors. CSR is criticised because it is believed that the first and foremost responsibility of an organisation is its financial responsibility to its shareholders. Supporters of this opinion believe that an organisation should do all it can (within the law) to maximise profit and that CSR conflicts with this goal. Since CSR investments have uncertain outcomes, there is also the opinion that organisations that undertake CSR activities are placed at a disadvantage since addressing social issues comes at a cost to the company.

There are concerns that organisations are not equipped to deal with social and environmental issues, and in fact, corporate involvement in complex societal issues may make the situation worse.

CSR is also criticised as being simply a marketing tool for organisations to gain publicity that corporations undertake CSR activities out of selfish interests and that corporate's view ESG reporting as only a tool to manage the risks and opportunities and not about values or doing good. Also, corporations are being viewed with a degree of mistrust and suspicion. The mistrust is especially high when the organisation's core business and products seem contradictory to the CSR intent, e.g., in the case of tobacco, alcohol, and arms manufacturers. There are some who complain that CSR is voluntary and is often used to keep state regulation at bay, particularly to protect core business and profit strategies.

## SECTION II: CSR DEFINITION AND TYPES

### CSR DEFINITIONS

Much has been written on what CSR is, why should companies be doing it, and its benefits. Corporate social responsibility has variously been described as ''the corporate buzzword.' There seems to be an infinite number of definitions of CSR, ranging from the simplistic to the complex, and a range of associated terms and ideas (used interchangeably), including *corporate sustainability, corporate citizenship, corporate social investment, corporate social opportunity, the triple bottom-line, socially responsible investment, Business sustainability,* and *corporate governance.*

CSR seems a term that does not have a standard definition of a fully recognised set of specific criteria.

**Selected definitions by CSR organisations and actors include:**

| | | | | |
|---|---|---|---|---|
| Corporate social responsibility is the commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as of the locals and society at large.<br><br>World Business Council for Sustainable Development | CSR is about how companies manage business processes to produce an overall positive impact on society.<br><br>Mallen Baker, UK-based writer, speaker, and strategic advisor on CSR | Business decision-making is linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world.<br><br>Business for Social Responsibility | Open and transparent business practices that are based on ethical values and respect for employees, communities, and the environment. It is designed to deliver sustainable value to the stakeholders and society at large.<br><br>International Business Leaders Forum | A concept whereby companies decide to voluntarily contribute to a better society and a cleaner environment.<br><br>European Commission |

However, the common understanding amongst most definitions is how profits are made and how they are used, keeping in mind the interests of stakeholders. With the understanding that businesses play a key role in job and wealth creation in society, CSR is generally understood to be the way a company achieves a balance or integration of economic, environmental, and social imperatives while at the same time addressing shareholder and stakeholder expectations.

CSR describes the principle that companies can and should make a positive contribution to society. CSR is the practice of managing the social, environmental, and economic impacts of the company (dubbed by John Elkington of Sustainability, a UK-based consultancy, as the 'triple bottom line'), being responsive to 'stakeholders' (those who are affected by a business operation) and behaving according to a set of values that are not codified in law. It is a given that laws of the land are followed diligently.

CSR is generally accepted as applying to firms wherever they operate in the domestic and global economy. Usually, trouble starts when double standards are practiced. The way businesses engage/ involve shareholders, employees, customers, suppliers, governments, non-governmental organisations, international organisations, and other stakeholders is usually a key feature of the concept. CSR is also frequently used as a strategic lens to build enduring business value and drive innovation.

Responsible businesses go beyond what is required by law to make a positive impact on society and the environment through their management, operations, and products, and through their engagement with stakeholders, being accountable and ethical in their work.

In general, CSR or business responsibility can be described as an approach by which a company:

- Recognises that its activities have a wider impact on the society in which it operates; understands that developments in society, in turn, affect its ability to pursue its business successfully;
- Actively manages the economic, social, environmental, and human rights impacts of its activities across the world, basing them on principles that reflect international values, reaping benefits both for its own operations and reputation as well as for the communities in which it operates;
- Seeks to achieve these benefits by working closely with other groups and organisations – local communities, civil society, other businesses, and home and host governments.

At the Centre of this Concept are Four Key Themes:

1. Voluntary initiatives by enterprises that go beyond simple compliance with the law;
2. The whole business rather than simply focusing on corporate philanthropy or charity;
3. A close understanding of and involvement with appropriate stakeholders;
4. Creating shared value (CSV) for and with society and communities.

## CORPORATE RESPONSIBILITY: THE TYPOLOGY

Corporate Responsibility can broadly be seen in areas such as

1. Corporate philanthropy and charity;
2. Corporate social responsibility, with a focus on sustainable development and attending to stakeholder priorities;
3. Ethical and responsible business practice.
4. Accountability

Corporate philanthropy dates to the 19th century and emerged out of a variety of factors, such as:

1. Concern for the welfare of the immediate members of the corporate body: the staff and their families;
2. Innovative contributions by visionary business leaders who in quest of personal satisfaction built up philanthropic institutions out of their individual shares;
3. The desire to establish a strategic relationship with the State or society by some corporate bodies led them to invest in institutions that fulfill the specific requirements of the community like Dharamshala and schools;
4. The establishment of trusts and foundations for tax benefits, which also support socially beneficial activities.

Corporate social responsibility is qualitatively different from the traditional concept of corporate philanthropy. It acknowledges the debt that the corporation owes to the community within which it operates, as a stakeholder in corporate activity. It also defines the business corporation's partnership with social action groups in providing financial and other resources to support development plans among various communities.

Current perspectives on CSR focus on responsibility towards all stakeholders (shareholders, employees, management, consumers, and community) rather than just on the maximisation of profit for shareholders. There is also more stress on the long-term sustainability of business and the environment, and the distribution of well-being. There is global recognition of John Elkington's triple bottom line: People, Planet and Profit.

Ethical/Responsible business practice is truly about two important factors:

- How a business is operated
- The notion of a fair profit

In an ethical, responsible business, the essential thrust is on values and integrity and the way business is conducted in consonance with broader societal values and the stakeholders' long-term interests. The new issue at hand is how to reconnect the corporation to the social, environmental, and community concerns it was originally intended to serve.

While in its abstract form, the concept may sound very alien to the idea of mainstream business, we are seeing some models that can be seen as some 'versions' of such a conception. Social entrepreneurship, for instance, is a trend that is emerging in India and beyond, based on fundamentally ethical consideration of solving social, and environmental problems through a business approach while making a fair profit. The trend is growing and is here to stay.

Ethical and responsible business conduct is set to grow as a counter-response to the failure of businesses to self-regulate. It presents a strong alternative to mainstream business models that are conceived on a typically self-centric capitalistic notion. The global financial and climate change crises have created an opportunity to re-conceptualise business models and led to the call for a transformation of capitalism.

## CSR TERMINOLOGY/JARGON

- *Corporate Sustainability* is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental, and social developments.
- *Corporate Citizenship* is an alternative phrase to 'corporate social responsibility' and conveys that companies, like citizens, enjoy both rights and responsibilities.
- *Corporate Social Investment* is about how a company can share its resources with the wider community to make a positive difference.
- *Triple Bottom Line* is a framework that measures corporate performance along not just profits but also environmental sustainability, and social responsibility. The phrase was coined by John Elkington, co-founder of the business consultancy Sustainability, in his 1998 book *Cannibals with Forks*: the Triple Bottom Line of 21st Century Business.
- *Socially Responsible Investment* is a process that takes social, environmental, and ethical criteria into account when investing in companies. SRI brings together all approaches integrating non-financial criteria (social, environmental, and societal) in decisions involving funds and portfolio management.
- *Sustainable Business* suggests that a company is sustainable if it has adapted its practices for the use of renewable resources and holds itself accountable for the environmental and human rights impacts of its activities. This includes mission-based businesses that operate in a socially responsible manner and protect the environment.
- *Corporate Governance* is concerned with holding the balance between economic and social goals and between individual and community goals. The governance framework encourages the efficient use of resources and equally requires accountability and diligence in the use of those resources. It aims to align the interests of individuals, corporations, and society.
- *ESG or Environment, Social and Governance or ESG* is a framework that takes a holistic approach that informs stakeholders about an organization's ability to manage risks related to environmental, social, and corporate governance issues.

## SECTION III: THE BUSINESS CASE FOR CSR

### CHALLENGES OF BUSINESS TODAY

In today's global scenario, companies are working harder to protect their reputation and, by extension, the environment in which they do business. Scandals at Enron, WorldCom, the Bhopal Gas Tragedy by Union Carbide, Lehman Brothers, and environmental issues at BP, and others, have undermined trust in corporates and led to the call for government regulation. Similarly, non-governmental organisations (NGOs) often challenge the practices of multinational companies (e.g., Coke and Pepsi expose in India by the Centre for Science and Environment and by the local community). Rankings and ratings put pressure on companies to report on their non-financial performance as well as on financial results. Thanks to the Internet, companies today live in a fishbowl where there is little room to hide unacceptable practices. Supply Chain, labour and wage issues have come up time again in the GAP/ NIKE/LEVIS/H&M while RANAPLAZA highlighted the failures of codes to nail occupational, health hazards, and Walmart in Human Rights. SOMO, an organisation in the Netherlands tracks and does research on Multinationals.

To understand the CSR movement is to understand the forces and interests driving it. This section explores the causes and conditions behind the rise of the contemporary CSR movement. The focus here is why and under what circumstances CSR has become a movement.

The Trust Barometer is an annual study by Edelman that examines trust in four key institutions – government, business, media, and NGOs – as well as communications channels and sources. In recent years, trust in both government and business has declined. For the most recent study results, visit www.trust.edelman.com

### THE DRIVERS OF THE CSR MOVEMENT

There are several major drivers for CSR worth looking at:

*First is the growth and reach of the private sector* as a result of trends like globalisation, market liberalisation, privatisation, and technological innovation. Today, there are estimated to be more than 70,000 multinational corporations with over 800,000 affiliates around the world and millions of small and medium-sized businesses operating along those supply chains. The private sector has grown in reach and with it, new opportunities and rights for business and a whole range of new risks and expectations as well. With power comes accountability.

*Second, there has been a crisis of trust in the private sector,* primarily driven by corporate misgovernance, scandals, and a lack of ethics (e.g., the involvement of business interests in Iraq), and a decline in trust in established institutions in general.

*Third, there has been a dramatic growth in the number and influence of even small non-governmental organisations, campaigning groups, and activist organisations.* They have unprecedented communications capacity and connectivity through contemporary global media tools and with that, the ability to profile and spotlight corporate malpractices. For example, the struggle for water in Plachimada against its depletion and pollution by Coca-Cola reached not just Indian schools and colleges but also universities in the U.S. The Unilever campaign on social media that featured a rap song on mercury contamination has gone viral with three million hits and about a lakh signatures forcing the company to explain its position.

*A fourth driver is the growing financial clout and activism of large institutional investors.* This growing investor and shareholder activism is in response to the recognition among investors of the financial and strategic risks for certain industries.

*A fifth driver comes from governance gaps***.** Public sector capacity and finance are constrained to deal with some complex issues governments face. Linked to that are challenges of weak governance and, in some cases, bad governance ranging from high levels of corruption to repressive regimes and failing states. For large corporations, there is growing pressure from different stakeholder groups to fill some of these governance gaps. The changing nature of the public sector, its capacity constraints, and shifting priorities are having a big influence on what is expected of business.

*A sixth driver has been growth in the importance of intangible assets like reputation, innovation, and stakeholder relationships as a key driver of corporate value.* With this growth, companies cannot afford some of the reputation risks associated with NGO campaigns and so are more aware of addressing these risks than in the past. Today, consumers are a more sophisticated, demanding group beginning to apply ethical criteria to their purchasing decisions. The more they know, the more demanding they become, and the intrusive, ubiquitous media fuelling globalising trends arms consumers with the information they incorporate in their purchasing behaviour.

*A seventh driver is the increasing recognition by businesses of the increasing scarcity of key resources* like fossil fuels and food commodities, and the need to assure their supply. Some CSR strategies are specifically designed to mitigate these constraints.

*The final driver is the emergence of what Kofi Annan, the former Secretary-General of the United Nations, describes as 'problems without passports':* climate change, loss of biodiversity, human rights, and poverty are some of those obvious global challenges which no one sector, indeed, no one nation can address on its own. Activists, governments, and other stakeholders are increasingly looking to the private sector and its global reach, influence, and resources to play a role in helping to address some of these complex problems.

**OCCUPY WALL STREET**

Occupy Wall Street, an example of the influence of civil society on the rise of CSR, is a significant protest movement initiated by the Canadian activist group Adjusters. It began on September 17, 2011, in Liberty Square in Manhattan's Financial District and spread throughout the fall of 2011 to 100 cities in the United States and 1,500 cities globally.

The movement is designed to address social and economic inequality, high unemployment, greed, as well as corruption, and the influence of corporations – particularly from the financial services sector on government. The protesters' slogan, "We are the 99 percent," refers to the growing income and wealth inequality in the U.S. between the wealthiest one percent and the rest of the population.

## THE BUSINESS CASE FOR CSR

In recent years, the 'business case' for CSR has been gaining ground, revolving around the idea that what is good for the environment, workers and the community is also good for the financial performance of a business. Many companies engage in CSR because they think it will provide their business with a competitive advantage, especially when they compete globally. Following the Global Compact Report 2005, Environment, Social, and Governance (ESG) practices gained the financial world's attention by stating that embedding ESG into capital markets would lead to better societal outcomes.

The business case for CSR emphasises the benefits to reputation, staff, and consumer loyalty plus maintaining public goodwill.

### Risk Management

CSR enables a firm to manage risks more effectively. Responsible employment practices, product quality control, and environmental standards protect a company from costly litigation and the reputational damages following it. Good management practices shield a company from scandal and factor price instability.

### Revenue Growth

As consumer behaviour and expectations are changing, people today reward companies they believe to be acting responsibly. Significant percentages of consumers report that they would pay more for products of firms engaged in causes. Increasingly, companies in the supply chain to larger firms must meet CSR standards in order to win supply contracts. Governments frequently insert CSR standards relating to working conditions and environmental performance into their procurement policies. Securities regulations require listed companies to release statements about social and environmental performance.

Investment funds increasingly select investment opportunities based on CSR criteria. Finally, more and more, CSR is a condition for access to international markets.

### Cost Reduction and Operational Efficiency

The evidence for 'eco-efficiencies' is well known. Some environmental measures such as minimising waste or saving energy can also reduce operational costs and is a factor that contributes to sustainability.

### Local License to Operate

CSR sees businesses as members of local communities. Regardless of any formal license to operate, businesses depend on local reputation to succeed. They must satisfy local communities that they are community builders, not destroyers, and that they contribute, not just take away.

### Human Resources Attraction and Retention

CSR stresses good employment practices such as fair remuneration, satisfactory blending of work and family responsibilities, allowing employees to advance and upgrade skills, policies against harassment in all forms, and encouragement of employee community service. Essentially CSR means giving employees good work experience and a hand in the management of the company. Employees will feel better about their work, be more loyal and productive, represent the company ably to others, take risks in innovation, and ultimately advance the company's bottom line.

### Reputation, Brand Recognition, and Trust

CSR is concerned with standards of operation that ensure quality and community concern and build trust and reputation. This can expand markets and revenues or at least secure existing markets. When accidents and crises do occur, a stock of trust can insulate a firm from disaster.

### Innovation in Markets and Product Development

Some companies have succeeded by developing innovative products with demonstrable environmental benefits and have thus created new markets for themselves.

# SECTION IV: CSR TO ENVIRONMENT, SOCIAL, AND GOVERNANCE (ESG)

## THE SUPPLY CHAIN

*Companies are increasingly turning to emerging social and environmental performance and process standards that provide a detailed and effective set of processes and policies by which companies monitor, adjust and report on corporate social and environmental activities throughout the supply chain." Dale Neef, Author of 'Supply Chain Imperative'.*

Supply chains are no longer just about technology, warehouses and distribution centres, or logistics. The supply chain responsibility is a core function for many companies and implies that a company does all it can to enable, promote and implement responsible business practices throughout its entire supply chain.

All businesses exist in the space between two entities – suppliers and customers. No organisation can exist without them. For this reason, supply networks, are becoming the major determinants of corporate survival and success. Having risen to the level of strategic management policy and thinking, supply chain, and purchasing management are recognised for the impact that they are having on the strategic goals and objectives of companies as well as their results and bottom lines. Weaving ESG into the business processes of supply, outsourcing, and purchase management demonstrates how in a worldwide and hyper-competitive business environment, value creation and enhancement constantly require innovative approaches. A corporation's ethics and risk management framework are at the heart of an ethical supply chain. ESG supports and facilitates this framework by implementing actions such as

- Helping to establish a company's value statement and a comprehensive code of conduct that governs employee behaviour;
- Developing internally an ongoing business case for action on social and environmental issues;
- Generating measurable and verifiable indicators of performance;
- Facilitating the adoption of internationally endorsed processes and performance standards;
- Developing programs for building awareness and support both for company and supplier employees;
- Providing and communicating thought leadership and coordination across all key functions of a company to support the creation and management of an ethical supplier program.

**To develop a sustainable supply chain, the Danish Council on Corporate Social Responsibility recommends that:**

- Company prepares a strategy for sustainable supply chain management.
- Company strategies are embedded in management, organisation, and business operations.
- Companies develop their supply chain management based on an assessment of the likelihood of violations of fundamental rights and principles in their supply chain and target their efforts and purchases to areas where they are expected to have the most impact.
- Based on their risk assessment, companies request and establish a dialogue with their suppliers to create continuous improvement, including, if necessary, the monitoring of selected supplier activities, cooperation, capacity building, and/or training.
- Companies involve their stakeholders in their social and environmental improvements.
- Companies discontinue cooperation in the event of gross violations of fundamental rights if the violations do not cease despite demands.
- Companies communicate openly and credibly about their efforts, achievements, and continued risks to customers, consumers, and other stakeholders.

## ENVIRONMENT

Environmental issues have been an important topic of discussion over the past few decades in the business world especially regarding the risks and opportunities that are created by the changing climate. While action to mitigate and adapt to climate change and manage natural resources has gained recognition, the rapid loss in biodiversity isn't always accounted for. A study by the World Economic Forum (2023) stated that 50% of the world's economy is under threat due to biodiversity loss. Biodiversity refers to the variety of life- the different species of organisms, and ecosystems. Biodiversity is complex to assess compared to carbon. This is because of the effort and skill required to assess and monitor the company's impact on the ecosystem. Internationally, steps are being taken to raise awareness about the ramifications of biodiversity loss by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), the Natural Capital Coalition (NCC), and recently, the Taskforce on Nature-related Financial Disclosures (TNFD) to contribute to an improved understanding of the risks involved.

The risks resulting from climate change and biodiversity loss will affect all businesses in the coming years because of our dependence on ecosystem services.

Ecosystems services can be categorized into 4 types:

1. Regulating services - Climate regulation, carbon sequestration, water purification, and decomposition of waste.
2. Provisioning services- Availability of raw materials, food, energy, and other resources.
3. Cultural services- Recreational, traditional, and artistic inspiration.
4. Supporting services- Processes such as the water cycle and soil formation which makes life on Earth possible.

The knowledge and issues within the environment agenda have progressed across a landscape of changing business realities and environmental departments began to be put in place in the 1970s with the first understanding of the environmental impacts of business. Now in the 21st century, there are new challenges with the increase of climate associated risks.

## Environmental Impacts of Business

Environmental impact usually refers to the negative effects occurring in the surrounding natural environment due to business operations. Such impacts may include overuse/over-drawing of natural, non-renewable resources, pollution, waste, degeneration of biodiversity, contributing to climate change, and deforestation. Since many business-related environmental problems transcend national boundaries, most companies are in the global environment and need to measure up to international standards. The contradictions happen when one set of standards is followed in some countries only to be abandoned or violated in countries where the regulatory mechanisms are weak until they come under civil society scanners or local governments step into regulation.

## Measuring Environmental Impact

Environmental impacts can be measured in several ways: through environmentally extended input-output tables, Material Input Per Service unit (MIPS) calculations, Critical Habitat Assessments, ecological footprint, and life-cycle assessments to name a few. For example, the MIPS value is calculated by dividing the amount of material the product or service causes to move (e.g., the amount of earth moved in mining, not just the metal used) during its entire lifespan by the number of benefits and value it brings. Ecological Footprint measures the number of nature's resources consumed each year and compares it to the resources available in the world. Life Cycle Assessment (LCA or eco-balance) assesses the environmental performance of a product from raw materials at the beginning of the production process to disposal at the end of use

## Environmental Benchmarking Initiatives

All companies – regardless of size or sector – can have positive and negative impacts on the environment. Negative impacts arise through the direct or indirect consumption of energy and resources, the generation of waste and pollutants, and the destruction of natural habitats. However, a company can strive towards achieving positive impacts by adhering to environmental standards that are relevant to their sector.

According to Schimelpfenig et al (2021) Resource benchmarking is the process of tracking a company's annual operational carbon emissions, energy utilization, water consumption, waste production, etc through its lifetime. Continuous measurement of a business's performance is essential to its growth towards a more efficient, productive, and profitable operations. 'A good baseline is standardized and representative of a business's environmental footprint.' Investors increasingly see businesses that track their performance as lower risk and ESG reporting is gaining recognition.

> **Voluntary Sustainability Standards (VSS) help companies take decisions to make sure that their processes are environmentally sustainable. Companies receive certifications and labels to signal the successful implementation of VSS. Ex Rainforest Alliance, Fair trade**
>
> **- The United Nations Forum on Sustainability Standards (2018)**

New trends involve greening of not just operations but buildings as well. This is particularly valid for the construction and extractive industries where labour and environmental standards are stringent. The treatment of wastewater, use of double-glazed glass with thermal properties, use of solar and wind energy, rainwater harvesting, waste segregation, vermicomposting, and reducing the use of air-conditioning using aerated blocks are some features of greenness. Organizations can also use native plant species in their offices and project sites and cut out the use of pesticides so that these green spaces will serve as a haven for urban wildlife such as birds, butterflies, and bees.

## Business Benefits

Environmental degradation is both a global and a local problem of increasing concern throughout society and, therefore, also among customers. Further, good environmental performance often makes financial sense. Energy efficiency, pollution prevention, waste minimization, and recycling can all result in significant cost reductions for the business, as well as other benefits such as ensuring compliance with environmental regulations, improving relationships with the local community, motivating employees, and making customers more loyal. All of these benefits contribute to the long-term sustainability and success of an enterprise.

## Environmentally Responsible Actions for Companies

The present trend for companies is to be not just carbon-positive but water and solid waste recycling-positive around their areas of operation as a first step. There is also a growing need for governments and the public sector to recognise that development needs to be inclusive of the environment and biodiversity conservation.

Biodiversity Net Gain (BNG) is a management approach that seeks to leave the natural environment better than what it was before a development activity. This is to help conserve and restore key habitats and biodiversity and move towards establishing nature-positive businesses. Including BNG in development plans is optional, however, the UK has now passed a law making it mandatory from November 2023 for all new developments that apply for planning permission to ensure they increase the biodiversity value of the site by 10% as a minimum requirement under their Environment Act (2021). This can be done by planting native trees, wildflowers, improving wetlands, conserving local wildlife, etc. Biodiversity metrics have been put in place to help evaluate and monitor BNG.

The Taskforce on Nature-related Financial Disclosures (TNFD) is a market-led initiative that was also set up in 2021. It came into existence to enable nature-based decision-making and risk management to be embedded within the company's processes. TNFD aims to assist in shifting the global financial system from one that exploits nature to one that supports and nourishes it. The Taskforce has 34 members from large financial institutions and corporations across 16 countries. Tata Steel and Nestle are members of the task force. TNFD has also been endorsed and recognised by the G20 and G7 Finance, Environment, and Climate Ministers.

Measures to improve their environmental performance may include:

- Minimising the use of fossil fuels by using renewables, waste fuels, and by-products;
- Preventing air pollution (by using low-sulfur heavy and crude oil, sulfur-free liquid natural gas, and low-nitrogen fuels as thermal power generation fuels, and installing fuel gas desulphurisation and de-nitrification equipment);
- Preventing water and soil pollution (by purifying water used in thermal power plants before discharge and preventing oil spills);
- Reducing heat losses at heat transfer (by installing optimum-size pipes and using high-quality insulation materials);

- Promoting effective and efficient use of energy and resources by using advanced technology, training employees towards environmentally-conscious daily practices, and assisting customers to find efficient and sustainable energy solutions);
- Changing outdated technology and opting for energy-efficient or 'greener' processes.
- Effective conservation and management of biodiversity both aquatic and terrestrial and restoration of habitats that were altered by the supply chains and other workings of the company.

## ECOLABELS

*To align their values with their purchasing and make informed decisions, consumers are increasingly relying on ecolabels. 'Ecolabelling' is a voluntary method of environmental performance certification and labelling that is practiced around the world. An 'ecolabel' is a label that identifies the overall environmental preference of a product or service within a specific product/service category based on life cycle considerations. In contrast to 'green' symbols or claim statements developed by manufacturers and service providers, an ecolabel is awarded by an impartial third party concerning certain products or services that are independently determined to meet environmental leadership criteria.*
*To learn more about the more than 400 ecolabels in use globally, visit the world's largest ecolabel database: www.ecolabelindex.com and www.ewg.org*

## SOCIAL

A business cannot function without people. In addition, the way companies treat their people across the value chain is coming under increasing scrutiny. It only takes one badly treated employee, supplier or customer to create a movement against a business, with potentially serious consequences on reputation and financial losses.(pwc)

## ESG AND CONSUMERS

Enterprises are basically 'human' organizations that rely on a web of internal and external relationships for mutual prosperity. The way in which these working relationships are managed is vital to success. Good relations with customers and suppliers bring gains for both sides. This must be demonstrated not just by lip service but through robust, responsive, and efficient consumer grievance mechanisms and policies in place.

## RESPONSIBILITY TOWARD CUSTOMERS

The idea of treating a customer with respect and attention is not new to business; often being responsible to customers has a direct positive effect on the company's profits. There are, however, broader social responsibilities including providing good value for money, the safety and durability of products or services, standards of after-sales service, prompt and courteous attention to queries and complaints, adequate supply of products or services, fair standards of advertising and trading, and full and unambiguous labelling and information to potential customers.

## CONSUMER ROLE IN ESG

Consumers have an extremely important role in encouraging businesses to adopt and advance ESG. Many businesses make a sizeable effort to learn about their customers' preferences and opinions, so they can create products and services that people will want to buy. When consumers care about issues like the environmental performance of a company and its products, or labour conditions in foreign factories, corporations take notice. Consumer opinion is translated into business action for sustainability when consumers take these issues into account when they buy, invest, or provide feedback to businesses. Clothing giants like GAP and Nike had to focus on labour standards in supplier factories in developing countries and the human rights of workers due to public outcry in the USA. The 'clean clothes' campaign emerged out of these issues. Dissatisfied consumers can spell disaster for some companies.

## CONSUMER PURCHASING POWER

Consumer purchasing power has long been understood as a significant driver for product quality, safety, and innovation. Today, consumer influence in support of sustainability can be seen in marketplace trends, such as the growing number of hybrid automobile models, the popularity of eco-tourism, and the increasing availability of organic and fair-trade foods. These sorts of changes happen because business understands that customers have evolving expectations about both the products and services they buy and the corporate behaviour of the companies behind those products and services.

## SHAREHOLDER ADVOCACY: SUSTAINABLE AND RESPONSIBLE INVESTING (SRI)

SRI is an investment strategy that integrates social or environmental criteria into financial analysis. SRI like TNFD is catching on with many individual and institutional investors who seek to:

- Align their investment portfolio with their values by avoiding companies that do not meet certain standards;
- Encourage improved corporate social and environmental performance through an active investment strategy;
- Identify companies with better long-term financial performance through the analysis of social and environmental factors.

SRI was first formally practiced by religious investors who years ago avoided companies involved in tobacco, alcohol, and gambling. More recently, however, SRI has evolved beyond simple avoidance ('negative') screening to include the following aspects:

## SOCIAL RESEARCH

Examining the social and environmental records of companies to determine which companies to include or exclude in an investment portfolio. Most social investors have certain set criteria they use to identify which companies 'make the grade.' Social research is seen to identify companies with better management and lower risk.

Using position as an owner in a company to actively encourage a company to improve. Shareholder advocacy can take many forms, from something as simple as a phone call or letter-writing to filing a formal shareholder resolution calling for a company to take a particular action.

### SOCIAL VENTURE CAPITAL

Seeking out early-stage investments in companies that have identified profitable ways to meet societal needs (such as alternative energy companies), before they are publicly traded. This early-stage investing can help these companies secure the necessary funding to grow and often leads to healthy returns for shareholders.

### COMMUNITY INVESTING

Channelling affordable credit to communities underserved by traditional credit markets to create jobs, builds homes, and finance community facilities. Investors often accept slightly below-market rates of return to encourage investment that can build or rebuild communities.

## CSR AND PARTNERSHIPS (BUSINESS, CIVIL SOCIETY, AND GOVERNMENT)

*If we are together, nothing is impossible. If we are divided, all will fail." Winston Churchill*

Winston Churchill's words, while dramatic, underscore an essential tenet of society: cooperation. The potential for charting a sustainable course lies in harnessing the skills and expertise from all sectors of society, and cross-sector partnerships are the most likely tool to accomplish this. In short, there is an imperative to partner with mutual respect and as equals. We have moved from a world in which the state had sole responsibility for the public good and business maximised profits independently of the interests of society-at-large, to a world where success depends on the close synergy of interest among business, civil society, and state. Tri-sector partnerships benefit the long-term interests of the business sector while meeting the social objectives of civil society and of the state.

## PARTNERSHIP APPROACH

*"Co-operate where you can, resist when you must" – Mahatma Gandhi*

*The partnership approach involves the 'pooling' of resources, competencies, capacity, and expertise, thereby achieving outcomes that add value to what each party could achieve by acting alone. The approach builds on the idea that each sector of society has core competencies and resources that, if appropriately arranged, are complementary to one another*

## GOVERNMENT AUTHORITIES

- *Public/Political/Policy mandate*
- *Co-ordinated development*
- *Resources*
- *Conduit for donor funds*
- *Scale*
- *Creating an Enabling Environment & ensuring a level playing field*

## CIVIL–SOCIETY ORGANIZATION

- *Local knowledge*
- *Capacity to mobilise community participation,*
- *Tools and methods to ensure relevance to local needs*
- *Independent monitoring*
- *Networking skills*
- *Innovation and new ways*

## CHALLENGES TO THE PARTNERSHIP APPROACH

Partnerships are not without risk. For example, companies that play a key role in establishing partnerships that eventually fail are at risk of being most strongly associated with this failure. Meanwhile, NGOs risk losing their independent credibility status and governments face political risks from ceding partial control of social services, as well as the risk of receiving only limited credit for social improvements delivered through partnership. However, experience has shown that the benefits far outweigh the risks.

However, the benefits vastly outnumber the risks. Strategic partnerships are the way forward for development. The imperative is to bridge the gap between sectors. NGOs need to understand that business has a role to play as well in creating jobs, and products and play an active role in educating the corporates on how CSR links to their bottom line. Corporations should jointly prepare formats for accountability for themselves and for NGOs. Both need to foster a common language and protocol.

Meanwhile, the government must ensure that a weak regularity environment does not flourish and create an enabling environment that encourages responsible investment in entrepreneurship, job creation, and opportunities for the disadvantaged. Government can set reference frameworks, encourage action and promote dialogue but crucially can enforce action through legislation. Governments can also use taxation or prescribe a percentage for CSR and minimum standards.

### Corporations/Private Sector have

- Capital and equipment
- Technical skills and logistics management
- Leadership and advocacy

- Knowledge of procurement and supply chain management
- Infrastructure development

## COMMON OBSTACLES TO COLLABORATION

- Conflicting goals: Would-be partners start with different objectives, motivations, values, and measures of success.
- Businesses focus on the bottom line, while NGOs – by their nature non-profitable – concentrate on service or advocacy goals.
- Different approaches: Partners tend to have different work ethics, cultures, operational methods, and timescales. Non-negotiable are rarely articulated.
- Equality of partnership: It is difficult to agree on well-defined partnership roles and parameters.
- Stereotypes: Potential partners have preconceived ideas that work against collaboration (e.g., NGOs view the business interest in development as simply Public Relations and 'greenwashing,' while businesses feel that NGOs are only interested in their money, and lack a professional approach).
- Securing long-term support: Changes in an organisation's leadership can alter priorities and commitment to a partnership.

*Official estimates of people living in poverty in India range from 30 percent to 70 percent. Providing livelihood opportunities for hundreds of millions of poor and achieving basic amenities for them will require the combined, collective efforts of diverse actors, not only governments and civil society but corporates as well. If the social environment fails, nothing can succeed, not even business!*

As tolerance for irresponsible acts of businesses dwindles, social expectations of business are mounting. Even when businesses launch CSR activities to cater to these expectations, they come under a critique and a scanner to distinguish what is 'genuine and effective' and what is mere window dressing. In these vigilant times, merely having 'intent' is not enough – a business needs a definite road map to execute that intent.

That is where a policy, a plan, structure and systems, tools, metrics, and communicating impact become crucial. In other words, managing CSR strategy as a process is central to translating the intent into measurable action with timelines, action plans, and resources.

*An agreed percentage of pre or post-tax profits towards CSR is a demonstrated commitment. It can vary from one percent to 10 percent, depending on the company.*

## CORPORATE GOVERNANCE

The term corporate governance is used to refer to a much broader range of rules, regulations, policies, and practices that boards of directors used to manage themselves and fulfil their responsibilities to investors and other stakeholders. Recent events have highlighted how integral good governance is to profitability, sustainability, and sound business operations. Corporations that ignore issues of governance land themselves in crisis, and can quickly be damaged, either through legal action or the loss of investor confidence. Corporations that build good governance infrastructure may be able to provide higher returns and consolidate their reputation as respected members of society.

Over the past decade, corporate governance has been the subject of increasing stakeholder attention and scrutiny. One outgrowth of this trend is an even more powerful shareholder movement fuelling many significant governance reforms. The movement is driven not only by shareholder activists but also by governments, self-regulating organisations, business groups, and institutional investors. Together, they are leveraging their larger multibillion-dollar investments to affect change. Their issues of concern are, diverse and include board diversity, independence, compensation, and accountability, as well as a broad range of corporate responsibility issues such as employment practices, environmental issues, and community involvement.

## BUSINESS CASE

Today's business, investment, and government leaders no longer debate the legitimacy of the connection between corporate governance practices and financial performance; most believe that maximizing shareholder value requires not only superior competitive performance but also responsiveness to the demands and expectations of employees, a strong independent Board, and high-quality relationships with communities where the company operates with other stakeholders.

Some of the key reasons companies are working to implement their corporate governance policies and practices are to:

- Improve financial performance
- Increase attractiveness to investors
- Strengthen relationships with stakeholders and decrease risk of adverse publicity
- Mitigate risk
- Effectively manage crises

## IMPLEMENTATION

Corporate boards and independent directors are increasingly expected to act independently of management, be diverse, demonstrate their commitment to the long-term profitability of the company, hold management accountable for performance, and conduct annual assessments of their performance. In response to these and other expectations, many companies have taken steps to evaluate and reform their corporate governance policies and practices. The role of ethics is critical to the function of boards; shareholder activism is helping to ensure it is in place.

## CORPORATE GOVERNANCE STRATEGIES

**Adopting Formal Board Guidelines/Principles -** Several companies have developed or adopted formal guidelines addressing a range of corporate governance issues

**Establishing Board Committees on Corporate Social Responsibility -** As the scope of corporate governance has expanded beyond an exclusively financial one, more companies are establishing board committees focusing broadly on ethics and/or corporate social responsibility issues, or expanding the charter of existing committees to do this. Independent directors are now to oversee CSR in Public Sector Enterprises and the private sector.

**Formalising Communication Processes with Stakeholders** - To respond to stakeholder concerns more effectively, many companies are formalising mechanisms to enable communication with a wide variety of stakeholder groups. Some companies like banks employ an ombudsperson whose sole responsibility is communicating with stakeholders on non-financial issues.

# SECTION V: CORPORATE RESPONSIBILITY INSTRUMENTS

## INTRODUCTION

Over the past few decades, several international guidelines have been developed that aim to persuade corporations to assume responsibility for the social, ecological, and economic consequences of their activities. The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the United Nations Global Compact, and ISO 26000 Guidance on Social Responsibility – together with the United Nations Guiding Principles on Business and Human Rights and the International Labour Organization's (ILO) Conventions – are often referred to as the 'core set of internationally recognised principles and guidelines regarding Corporate Social Responsibility (CSR)'.1 This comparison focuses on the OECD Guidelines for Multinational Enterprises (hereafter referred to as the OECD Guidelines), the United Nations Global Compact (hereafter referred to as the Global Compact), and ISO 26000 Guidance on Social Responsibility (hereafter referred to as ISO 26000), since these three instruments cover a broad range of issues in the area of corporate responsibility (CR), and incorporate both the UN Guiding Principles and the ILO Core Conventions.

The OECD Guidelines are recommendations from OECD governments to multinational enterprises operating in or from adhering countries covering all major areas of business ethics. The OECD Guidelines are accompanied by a dispute resolution mechanism. The United Nations Global Compact is a membership-based initiative that aims to promote corporate social responsibility through shared learning. Participants of the Global Compact commit to implementing, within their sphere of influence, ten principles in the areas of human rights, labour, the environment, and anti-corruption. ISO 26000 offers guidance to organisations to implement a 'social responsibility' policy. The OECD Guidelines, ISO 26000, and the Global Compact all provide recommendations and guidance for corporations in the fields of labour, human rights, the environment, economic aspects, and other corporate responsibility issues. While there may be an overlap in the issues these initiatives cover, they differ considerably regarding their application, outreach, enforcement mechanisms, and ways of addressing non-compliance. The three instruments are also fundamentally different in terms of their legal status and government endorsement.

With this comparison, SOMO aims to provide a quick and accessible overview of what these instruments entail, as well as clarify the similarities and differences between these three initiatives. By doing so, SOMO intends to provide civil society organisations (CSOs) with the necessary information so that they can assess whether and how to use these instruments in their work to promote and enforce corporate accountability. In their advocacy, campaigns, and engagement with companies, CSOs are often pointed to the company's good intentions and policy documents referring to or based on internationally accepted standards and principles. It is therefore important to have a good understanding of the differences between them in terms of content, application, and international standing. If companies claim to uphold a certain standard, it is helpful to know exactly what they can be held accountable for, and how that relates to other international standards and principles.

## OUTLINE

This comparison is structured as follows:

Chapter 2 zooms in on the recent developments in the debate on corporate responsibility and corporate accountability. It focuses on the United Nations Protect, Respect and Remedy Framework and the United Nations Guiding Principles on Business and Human Rights, as the development and adoption of this framework has had considerable influence on the instruments discussed in this report. The chapter continues with a more detailed description of the OECD Guidelines, ISO 26000, and the Global Compact. A table is included that compares the three instruments on general aspects, such as aim, applicability, backing, the drafting process, monitoring mechanism, and complaint procedures.

Chapter 3 focuses on the content of the three instruments in the areas of human rights, labour rights, the environment, economic aspects, consumer rights, transparency, corporate citizenship, and science & technology. The table included in this chapter provides a quick overview of which issues are covered by the instruments. In addition, the chapter briefly touches upon the difference in the wording used in the three instruments.

A concluding chapter provides a brief overview of the main similarities and differences between the three instruments. It analyses their strengths and weaknesses and offers some recommendations about how civil society organisations can use them.

## OVERVIEW

### Background: international debate on corporate responsibility and accountability

The international debate on corporate responsibility and corporate accountability has progressed considerably in recent years. This occurred in the context of the development and adoption of the United Nations Protect, Respect, and Remedy Framework and the Guiding Principles on Business and Human Rights, developed by the Special Representative of the UN Secretary-General on Business and Human Rights, Professor John Ruggie.2 The UN Guiding Principles on Business and Human Rights clarify the roles that governments and companies are expected to play in terms of protecting and respecting human rights. An important principle under the corporate responsibility to respect human rights is for companies to act with due diligence. 'Due diligence' is understood as a process through which enterprises actively identify, prevent, mitigate and account for how they address and manage the actual and potential adverse impacts of their operations, including in the value chain and through other business relationships.

The UN Guiding Principles also specify that businesses have a responsibility to address the impacts on human rights that occur through their own activities or as a result of their business relationships with other parties, including in their value chains. The unanimous adoption of the UN Guiding Principles by the United Nations Human Rights Council effectively clarified that companies indeed have a responsibility for impacts throughout their value chains, which had been subject to debate between business and civil society organisations in the past decade. The contribution of the UN Guiding Principles to the corporate accountability debate is that it has created a better understanding regarding the scope of responsibility of enterprises throughout their supply and value chains and business relationships, and the appropriate steps businesses should take to avoid causing, contributing to or being directly linked to adverse impacts. Below is a summary of some key concepts around which the debate has centred.

### Impact-based responsibility versus influence-based responsibility

One of the more challenging questions in the corporate accountability debate has been to define how far beyond a company's own activities should its responsibility extend. To address this question, the Global Compact introduced the term 'sphere of influence' in 2000. The Sphere of Influence Model – developed by the Global Compact with the Danish Institute for Business and Human Rights – depicts the sphere of influence as a series of concentric circles with the organisation's workplace at the centre, followed by its supply chain, marketplace, the communities in which it operates, and finally an outermost sphere of government and politics.3 This model assumes that a company's influence diminishes with distance from the centre of its sphere.

Drawing on the Global Compact, the sphere of influence concept was featured prominently in draft versions of the ISO 26000 guidance. In several paragraphs in the 'Draft International Standard', it was stated that leverage over other actors can give rise to responsibility and that generally, the greater an organisation's leverage, the greater its responsibility to exercise it.

Professor John Ruggie – in his capacity as the Special Representative of the UN Secretary-General on Business and Human Rights – addressed a few misperceptions when using the 'sphere of influence' as a basis for attributing responsibility. Ruggie argued that the concept of 'impact' is a more objective basis: "Enterprises may have influence over a broad array of actors and situations, but only in exceptional circumstances should they be held responsible for human rights harms to which they are not linked in some way. Thus, while the 'corporate sphere of influence' may be a useful construct for enterprises to identify opportunities for contributing to the promotion of human rights, it is of limited utility as a basis for clarifying the scope of their responsibility to respect rights. Nor do promotional endeavors offset an enterprise's failure to respect human rights across its business activities and relationships [...] In short, the scope of due diligence to meet the corporate responsibility to respect human rights is not a fixed sphere, nor is it based on influence. Rather, it depends on the potential and actual human rights impacts resulting from a company's business activities and the relationships connected to those activities."4 Thus, in the UN Protect, Respect, Remedy Framework, 'impact' has replaced 'influence' as a key concept for attributing responsibility.

## DIFFERENT RESPONSIBILITY SCENARIOS

The type of action that is required from a company to address a particular adverse impact depends on the company's link and relation to the impact. Companies may cause, contribute to, or be directly linked to adverse impacts through their own activities or through their business relationships (for example, through their suppliers). The link between the company in question and the adverse impact can be roughly classified into one of three categories:5

Causing: a company is causing an adverse impact when it is the main actor in the violation (directly carrying out the abuse) through its own actions or omissions. The company can be expected to stop, prevent, mitigate, and remedy the adverse impact it has caused or could potentially cause.

Contributing to: a company is contributing to an adverse impact if its actions or omissions enable, encourage, exacerbate, or facilitate a third party to create a negative impact. A company may be contributing to an adverse impact together with a business relationship (for example, in a joint venture) or via business relationships in its value chain. In this scenario, a company is expected to stop, prevent, and remedy the adverse impact it has contributed to or risks contributing to in the future. Additionally, the company should use its leverage to change the practices of business relationships so they mitigate or prevent their adverse impact.

Directly linked to if a company is not causing or contributing to an adverse impact, the company can still be directly linked to a negative human rights impact committed by a business relationship through its operations, products, or services. In this case, the company is expected to use its leverage to change the practices of business relationships so they stop, mitigate and/or prevent their adverse impact.

Translation of the UN Guiding Principles into international corporate accountability standards
The OECD Guidelines, ISO 26000, and the Global Compact all emphasise how important it is for enterprises to conduct due diligence. While there is no substantial difference in the way due diligence is defined, the three initiatives differ about the scope of issues covered. The OECD Guidelines and ISO 26000 stipulate that due diligence should be undertaken for all matters covered in the standards.6 In contrast, the Global Compact only expects companies to undertake due diligence in the field of human rights. With the 2011 update of the OECD Guidelines, the scope was expanded to include supply chains and other business relationships based on the impact approach developed by Professor Ruggie.

In the context of the impact versus influence debate started by Ruggie, the definition and clauses on the sphere of influence in ISO 26000 were altered. Many references to leverage-based responsibility were removed and replaced with a stronger emphasis on impact-based responsibility. Despite changes in the ISO 26000 guidance, the sphere of influence concept was not erased completely from the guidance document, as companies are expected to promote the adoption of social responsibility through their sphere of influence.

In 2012, the Global Compact published a Human Rights Supplement to Communication on Progress Guidance.7 In this publication, the Global Compact stresses that the commitments expressed in the Global Compact's human rights principles correlate with the responsibility to respect human rights as defined in the UN Guiding Principles. In addition, the Global Compact states that the UN Guiding Principles "provide further conceptual and operational clarity for the two human rights principles championed by the Global Compact." The sphere of influence concept, however, is still upheld in the preamble of the UN Global Compact, which reads: "The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption".

While all three initiatives shifted from an 'influence-based approach' towards a more 'impact-based approach', the concept of 'sphere of influence' did not entirely disappear. Next to the responsibility to avoid and address negative impacts, the OECD Guidelines, ISO 26000, and the Global Compact expect companies to promote the adoption of social responsibility throughout their sphere of influence. Thus, while the responsibility to avoid and address negative impacts is defined by impact, the responsibility to encourage socially responsible business behaviour is defined by influence.

## INTRODUCTION TO THE INSTRUMENTS

### OECD Guidelines

The OECD Guidelines for Multinational Enterprises are recommendations from OECD governments to multinational enterprises operating in or from adhering countries.9 The OECD Guidelines provide an instrument to address corporate misconduct by means of a grievance mechanism. The OECD Guidelines are adopted by OECD governments and governments adhering to the OECD Investment Declaration. These governments make a binding commitment to implement the OECD Guidelines by setting up National Contact Points.

### ISO 26000

ISO 26000 offers guidance to organisations for the implementation of a ‘social responsibility policy. The ISO 26000 standard was adopted in 2010 as the result of a five-year negotiation process involving an international working group and national committees in over 90 countries. ISO 26000 was adopted with National Standard Bodies from 72 countries voting in favour of the standard. Five countries – including the United States and India – voted against the standard. Governments were represented as a stakeholder group in the development of ISO 26000 but the standard is not formally endorsed by governments. However, some governments, such as those in Argentina, China, and Indonesia, have given their explicit backing to ISO 26000.

### Global Compact

The United Nations Global Compact promotes corporate social responsibility through shared learning. Participants of the Global Compact commit to implementing, within their sphere of influence, the Global Compact’s ten principles in the areas of human rights, labour, the environment, and anti-corruption. The Global Compact, whilst a UN initiative, has no government backing and as such is a purely voluntary instrument.

### Outreach

With more than 7,000 business participants from 145 countries, 10 the Global Compact is the largest voluntary corporate responsibility initiative. There is strong participation from businesses from non-Western countries. Since the adoption of ISO 26000, the standard has been translated into national standards in more than 60 countries, of which approximately 50 percent are developing countries. No systematic review of the geographic distribution of the standard has taken place. However, it has been claimed that there is a particular interest in the standard in Latin America.

Compared to the Global Compact and ISO 26000, the OECD Guidelines have a limited geographical reach, as they are only applicable to businesses operating in and from OECD countries and counties adhering to the OECD Investment Declaration (46 countries in total).

**Box 1:**

Reference to corporate accountability standards in business policies. A study by the European Commission found that, among 200 large enterprises from ten European countries, 40 percent refer to internationally recognised CSR guidelines and principles.12 The study found that the UN Global Compact is the most referenced instrument (with 32 percent). Ten percent of the sampled companies refer to the OECD Guidelines. A meager five percent refers to ISO 26000. In contrast, sixty percent of the studied companies do not refer to any CSR instrument at all.

## COMPARISON OF GENERAL ASPECTS

In Table 1, the OECD Guidelines, ISO 26000, and the Global Compact are compared on a selected number of key characteristics:

Aim
Date of Adoption
Applicability
Character
Formal (government) endorsement
Drafting process
Monitoring mechanism
Complaint procedure
Accessibility

### Table 1: Comparison of General Aspects

| Comparative aspect | OECD Guidelines for Multinational Enterprises | ISO 26000 Guidance on Social Responsibility | UN Global Compact |
|---|---|---|---|
| **Aim** | Provide recommendations from OECD adhering governments regarding responsible business conduct | Contribute to sustainable development | Encourage businesses worldwide to adopt sustainable and socially responsible policies and practices |
| **Date of adoption** | Latest update: 2011<br>The OECD Guidelines were adopted in 1976 | 1 November 2011 | 26 July 2000 |
| **Applicability** | Multinational enterprises operating in or from the 34 OECD member countries, or one of the 12 non-OECD countries that have signed the OECD Investment Declaration of which the OECD Guidelines are part. | ISO 26000 is designed to be used by all types of organisations, in public, private, and non-profit sectors, anywhere in the world. | Over 8,000 participants, including more than 7,000 businesses from 145 countries. Other participants are business, associations, civil society, UN agencies, trade union organisations, academia, public sector organisations, and cities.15 The Global Compact is open to participation by all companies, wherever they are based or operate as long as they express their support for the ten principles. |
| **Character** | Non-binding recommendations from governments to multinational enterprises operating in or from adhering countries. Though they are not binding on companies, OECD and adhering governments are legally bound to implement them.<br>Governments that adhere to the Guidelines have an obligation to establish a National Contact Point (NCP) to promote the Guidelines and to handle complaints. | Voluntary guidance on implementing CR policies.<br>ISO 26000 contains guidance for the implementation of a CSR policy. ISO 26000 does not contain requirements and is not intended for certification (contrary to most ISO standards). | Voluntary.<br>Participants of the Global Compact commit to implementing (within their sphere of influence) the UN Global Compact's ten principles in the areas of human rights, labour, the environment, and anti-corruption.<br>The Global Compact is a purely voluntary initiative. "It does not police or enforce the behaviour or actions of companies. Rather, it is designed to stimulate change and promote good corporate citizenship and encourage innovative solutions and partnerships |

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| **Endorsement** | Government-backed Multilaterally agreed to by 46 governments (OECD and adhering governments).<br>The OECD Guidelines are recognised by the European Commission as being part of the "core set of internationally recognized principles and guidelines regarding CSR" | Multi-stakeholder-backed.<br>ISO is a widely respected authority on standards worldwide. 99 of the 162 National Standards Bodies participated in the development of ISO 26000. ISO 26000 was approved by 94% of the National Standard Bodies that voted. National Standards Bodies from five countries voted against the guidelines (Cuba, India, Luxembourg, Turkey, and the United States). 11 countries abstained from voting.18 ISO 26000 was also largely backed by the liaison organisations that participated in its development.<br>ISO 26000 is recognised by the European Commission as being part of the "core set of internationally recognized principles and guidelines regarding CSR". | The UN Global Compact is endorsed by the UN General Assembly and has additionally been recognised in a number of other inter-governmental contexts, including by the G8.20 The The UN Global Compact is recognised by the European Commission as being part of the "core set of internationally recognized principles and guidelines regarding CSR". |
| **Drafting process** | The OECD Guidelines for MNEs were adopted in 1976 and revised in 1979, 1982, 1984, 1991, 2000, and 2011. The Guidelines were developed and drafted by the governments of the OECD and adhering countries. For the 2011 update, governments adhering to the Guidelines engaged in a consultation process with a wide range of stakeholders. | Multi-stakeholder process (2005-2010) involving stakeholders from developing and developed countries. ISO 26000 was developed during a five-year multi-stakeholder process | The Global Compact was launched in 2000 by former UN Secretary General Kofi Annan. The ten principles are derived from universal consensus based on: The Universal Declaration of Human Rights; ILO Declaration on Fundamental Principles and Rights at Work; and the Rio Declaration on Environment and Development. |

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| | | by a working group of 435 experts from more than 90 countries. The following six stakeholder groups were represented in the working group: (1) industry, (2) government, (3) labour, (4) consumers, (5) non-governmental organisations, and (6) service, support, and research and others (SSRO). The ISO 26000 Guidance on Social Responsibility was launched in November 2010. | |
| **Monitoring mechanism** | The formal obligation that the OECD Guidelines have put on adhering countries is to set up National Contact Points (NCPs). An NCP's primary responsibility is to ensure the follow-up of the Guidelines. NCPs are responsible for encouraging the observance of the Guidelines in a national context and for ensuring that the Guidelines are well-known and understood by the national business community and other interested parties. | No verification or enforcement mechanism. ISO 26000 is a purely voluntary guidance standard for implementing SR. After the adoption of ISO 26000, the international working group was dismantled and a Post Publication Organization (PPO) was installed. Among the tasks of the PPO are:<br>-Gather information to identify good and bad practices in using ISO 26000, and report to ISO/CS<br>-Advise ISO/CS on requests for interpretation of ISO 26000 from NSBs. | No independent monitoring or enforcement. The only obligation for participating companies is that they have to issue an annual Communication on Progress (COP). The COP should describe the progress made in implementing the ten principles. However, the content of this report will not be checked. Failing to communicate progress on an annual basis result in a downgrading of participant status from active to non-communicating. Participants who do not communicate progress for two years in a row are de-listed and the Global Compact publishes their name. |
| **Complaint procedure** | The OECD Guidelines for MNEs are accompanied by a dispute | It is not possible to file complaints with | The Global Compact has a set of Integrity Measures, including a procedure for |

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| | resolution mechanism for resolving complaints about alleged corporate misconduct. One of the NCP's obligations is that they should deal with 'specific instances', the term used for complaints.<br>The Guidelines complaint process is intended to resolve issues concerning alleged breaches of the Guidelines through mediation and facilitating dialogue between the parties. To conclude the process, the NCP should issue a public final statement. If mediation fails, the statement should outline the issues, process, and recommendations to the parties and may include an assessment of alleged violations.<br>An NCP can handle complaints regarding breaches that have taken place in its country or when a company from its country is allegedly involved in a breach of the Guidelines either overseas or at home. | the ISO regarding alleged corporate social or environmental abuses and non-compliance with the standard. ISO can only handle complaints regarding misuse of its standards, meaning that complaints can only be raised regarding the way a company communicates about its use of ISO 26000. For instance, ISO 26000 offers guidance and is not appropriate for certification. Any company that claims to be ISO 26000 certified would-be misusing ISO 26000.<br>Before filing a complaint, the complainant is expected to first engage with the company in question. | initiating dialogue around "allegations of systematic or egregious abuses of Global Compact's overall aims and principles". The procedure primarily aims to generate a response from a company for the person/ organisation raising a concern rather than being a fully-fledged complaint process aimed at achieving remediation.25<br>If the company concerned refuses to engage in dialogue on the matter within two months after first being contacted by the Global Compact Office, it may be regarded as 'non-communicating'. The company will be identified as such on the Global Compact website. If the continued listing of the participating company on the Global Compact website is considered detrimental to the reputation and integrity of the organisation, the Global Compact Office reserves the right to remove that company from the list of participants.26 The Global Compact stresses that the focus of the integrity measures is not on providing a remedy for alleged specific instances of corporate social or environmental abuse. |
| **Accessibility** | The OECD Guidelines for Multinational<br>Enterprises (revision 2011) can be downloaded from the OECD website:<br>http://mneguidelines.oecd.org/.28<br>All NCPs are expected to operate in accordance with the core criteria of visibility, accessibility, transparency, and accountability. As a result, NCPs (not all) may have individual websites, where information regarding the NCP's procedures and past and pending complaints can be found. | ISO 26000: 2010 – Guidance on Social Responsibility is not available free of charge. The Guidance can be purchased from ISO for €162.29<br>National Standard Bodies offer ISO 26000 for prices ranging from €32 (South Africa) to €180 (Canada & United States). | The ten principles of the United Nations Global Compact are listed on the Global Compact's website: http://www.unglobalcompact.org/.31<br>Local Global Compact networks operate in 101 countries. The role of the local networks is to further the implementation of the ten principles by companies and to organise learning activities. |

## CONTENT

### Similarities and differences in content

The OECD Guidelines, ISO 26000, and the Global Compact share a common normative basis; all three initiatives refer to the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the Rio Declaration on Environment and Development, among others. Regarding labour rights, the Global Compact Principles are limited to the 'fundamental ILO Conventions', which address the following issues: non-discrimination; freedom of association and recognition of the right to collective bargaining; prohibition of all forms of forced labour and prohibition of child labour.32 The OECD Guidelines and ISO 26000 cover more issues such as maximum hours of work, occupational health and safety, and ('adequate') wages.

The Global Compact Principles are general and broad; their breadth and simplicity are part of their appeal to businesses. The OECD Guidelines provide more detail about what is expected from businesses and cover aspects that are not covered by the Global Compact Principles, such as consumer rights, transparency, competition, taxation, and science & technology. ISO 26000, as a guidance document for implementing a corporate responsibility policy, offers the most detail. ISO 26000 addresses all issues included in the OECD Guidelines.

While many issues are covered by all three instruments, the wording and hence the implication might differ. For instance, The OECD Guidelines, ISO 26000, and the Global Compact all address the issue of child labour. They all refer to the ILO's Conventions on the minimum working age and the worst forms of child labour. However, the wording of the paragraph on child labour in the OECD Guidelines is less ambitious than those in the Global Compact and ISO 26000 (see Box 2). Civil society organisations and individuals that want to use the instruments to address corporate misconduct are therefore advised to check the exact wording of the relevant clauses.

### Box 2: Child Labour

The three instruments refer to ILO Convention 138 on the minimum age for admission to work and ILO Convention 182 on the worst forms of child labour. The paragraph on child labour in the OECD Guidelines articulates the expectation that "multinational enterprises contribute to the effective abolition of child labour" [emphasis added by author]. The paragraph further stresses the positive role multinational enterprises can play in helping to address the root causes of poverty in general and child labour in particular. Both the Global Compact and ISO 26000 go further in describing the role of businesses (or: organisations) in combating child labour. In fact, there is a great overlap in the paragraphs devoted to child labour in ISO 26000 and under Principle 5 of the Global Compact. The need to not only remove children from workplaces but to provide them with viable alternatives is stressed. Both the Global Compact and ISO 26000 specify that companies have a responsibility to abolish child labour within their operations and within their sphere of influence.

#### ISO 26000033

An organisation should make efforts to eliminate all forms of child labour. Organisations should not engage in or benefit from any use of child labour. If an organisation has child labour in its operations or within its sphere of influence, it should, as far as possible, ensure not only that the children are removed from work, but also that they are provided with appropriate alternatives, in particular, education. Light work that does not harm a child or interfere with school attendance or with other activities necessary to a child's full development (such as recreational activities) is not considered child labour.

#### OECD Guidelines 34

Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices, and applicable international labour standards, contribute to the effective abolition of child labour, and take immediate and effective measures to secure the prohibition and elimination of the worst forms of child labour as a matter of urgency.

Paragraph 1c recommends that multinational enterprises contribute to the effective abolition of child labour in the sense of the ILO 1998 Declaration and ILO Convention 182 concerning the worst forms of child labour. Longstanding ILO instruments on child labour are Convention 138 and Recommendation 146 (both adopted in 1973) concerning minimum wages for employment. Through their labour management practices, their creation of high-quality, well-paid jobs, and their contribution to economic growth, multinational enterprises can play a positive role in helping to address the root causes of poverty in general and of child labour in particular. It is important to acknowledge and encourage the role of multinational enterprises in contributing to the search for a lasting solution to the problem of child labour. In this regard, raising the standards of education of children living in host countries is especially noteworthy.

### Global Compact 35

Businesses should uphold the effective abolition of child labour. The complexity of the issue of child labour means that companies need to address the issue sensitively, and must not take action that may force working children into more exploitative forms of work. Nevertheless, as Principle 5 states, the goal of all companies should be the abolition of child labour within their sphere of influence. If an occurrence of child labour is identified, the children need to be removed from the workplace and provided with viable alternatives. These measures often include enrolling the children in schools and offering income-generating alternatives for the parents or above-working age members of the family. Companies need to be aware that, without support, children may be forced into worse circumstances such as prostitution, and that, in some instances where children are the sole providers of income, their immediate removal from work may exacerbate rather than relieve the hardship.

### Comparison of content

The following table summarises the content of the OECD Guidelines, ISO 26000, and the Global Compact in the areas of human rights, labour rights, the environment, economic aspects, consumer rights, transparency, corporate citizenship, and science & technology.

The table provides a quick overview of which issues are covered by the instruments.

| Comparative aspect | OECD Guidelines for Multinational Enterprises | ISO 26000 Guidance on Social Responsibility | UN Global Compact |
|---|---|---|---|
| **Human rights** | Chapter IV: Human Rights<br>§1: Respect human rights: avoid infringing on the rights of others and address adverse human rights impacts<br>§2: Avoid causing or contributing to adverse human rights impacts and address such impacts when they occur<br>§3: Seek ways to prevent or mitigate adverse human rights impacts<br>§4: Have a policy commitment to respect human rights.<br>§5: Carry out human rights' due diligence<br>§6: Remediation of adverse human rights impacts | 6.3. Human Rights<br>6.3.3. Due diligence<br>6.3.4. Human rights risk situations<br>6.3.5. Avoidance of complicity<br>6.3.6. Resolving grievances<br>6.3.7. Discrimination and vulnerable groups<br>6.3.8. Civil and political rights<br>6.3.9. Economic, social, and cultural rights<br>6.3.10. Fundamental principles and rights at work | Human Rights<br>Principle 1: Support and respect the protection of internationally proclaimed human rights<br>Principle 2: Ensure non-complicity in human rights abuses |
| **Stakeholder engagement** | Chapter II: General Policies<br>§A.14.Engage in meaningful consultation with local communities, workers, and other relevant stakeholders | 4.5 Respect for stakeholder interests: An organisation should respect, consider, and | No reference |

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| | | respond to the interests of its stakeholders.<br>5.3 Stakeholder identification and engagement | |
| **Labour rights** | Chapter V. Employment and Industrial Relations<br>§1a: Freedom of association<br>§1b: Collective bargaining<br>§1c: (Worst forms of) child labour<br>§1d: Forced and compulsory labour<br>§1e: Discrimination<br>§2a: Provide facilities to workers to assist in the development of effective collective agreements<br>§2b: Provide information to workers needed for meaningful negotiations<br>§2c: Provide information to workers and their representatives on company performance<br>§3: Promote consultation and cooperation among employers and workers<br>§4a-b: Observe labour standards not less favourable than those observed in host country and which at least satisfy basic needs of workers and their families<br>§4c: Occupational health and safety<br>§5: Employ local workers and provide training<br>§6: Provide reasonable notice of major changes, cooperate with workers' representatives to mitigate adverse effects and give appropriate notice prior to final decision<br>§7: Not threaten to transfer whole or part of an operating unit when workers are organising, or during negotiations<br>§8: Enable workers' representatives to negotiate and allow them to consult with | 6.4 Labour Practices<br>6.4.3. Employment and employment relationships<br>6.4.4. Conditions of work and social protection<br>6.4.5. Social dialogue<br>6.4.6. Health and safety at work<br>6.4.7. Human development and training in the workplace<br>Box 7: Child labour | Labour<br>Principle 3: Uphold freedom of association and right to collective bargaining<br>Principle 4: Eliminate forced and compulsory labour<br>Principle 5: Abolish child labour<br>Principle 6: Eliminate discrimination in respect of employment and occupation |

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| | those who are authorised to take decisions on collective bargaining and labour issues | | |
| **Environment** | Chapter VI: Environment<br>§1: Maintain environmental management systems that include monitoring, evaluating, and verifying environmental, health and safety impacts of activities and objectives<br>§2: Provide public and workers with adequate, measurable and verifiable information on potential impacts<br>§3: Assess and address the foreseeable environmental, health and safety-related impacts associated with the processes, goods, and services of the enterprise over their full life cycle with a view to avoiding or, when unavoidable, mitigating them. If relevant, prepare environmental impact assessment<br>§4: Not use lack of full scientific certainty as a reason for postponing cost-effective measures to prevent or minimise environmental damage<br>§5: Maintain contingency plans for preventing, mitigating and controlling serious environmental and health damage from operations and mechanisms for immediate reporting to the competent authorities<br>§6: Continually seek to improve corporate environmental performance at the level of the enterprise and its supply chain<br>§7: Provide adequate education and training to workers in environmental health and safety matters<br>§8: Contribute to the development of | 6.5 The Environment<br>6.5.3. Prevention of pollution<br>6.5.4. Sustainable resource use<br>6.5.5. Climate change mitigation and adaptation<br>6.5.6. Protection of the environment, biodiversity, and restoration of natural habitats [including reference to animal welfare] | Environment<br>Principle 7: Support a precautionary approach to environmental challenges<br>Principle 8: Promote environmental responsibility Principle 9: Encourage development and diffusion of environmentally friendly technologies |

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| | environmentally meaningful and economically efficient public policy | | |
| **Economic aspects** | Chapter VII: Combating Bribery, Bribe Solicitation and Extortion<br>§1 Not offer bribes to obtain or retain business or other undue advantage. Resist solicitation of bribes and extortion. Not offer, promise, or give undue monetary or other advantages to public officials or the employees of business partners directly or through intermediaries<br>§2 Adopt adequate internal controls to prevent bribery. Regularly monitor and re-assess bribery risks and the respective internal controls designed for the enterprise's specific circumstances and adapt the respective controls when necessary to ensure their continued effectiveness<br>§3: Prohibit or discourage the use of facilitation payments, and accurately record them in financial records so they cannot be used for bribing or hiding bribery<br>§4: Ensure properly documented due diligence when hiring and overseeing agents, ensuring that their remuneration is for legitimate services only<br>§5: Making the management's commitment to combating bribery public and disclosing the internal control systems designed to achieve the pronounced aims. Foster openness and dialogue with the public to promote its cooperation with the fight against bribery<br>§6: Promote employee awareness and compliance with anti-bribery policies and internal controls | 6.6 Fair operating practices<br>6.6.3. Anti-corruption<br>6.6.4. Responsible political involvement<br>6.6.5. Fair competition<br>6.6.6. Promoting social responsibility in the value chain<br>6.6.7 Respect for property rights | Anti-Corruption Principle 10: Work against corruption in all forms, including bribery and extortion |

| | | | |
|---|---|---|---|
| | §7: Refrain from making illegal contributions to candidates for public office, political parties, or other political organisations<br>Chapter X: Competition<br>§1: Operate in accordance with competition laws and regulations<br>§2: Refrain from entering into anti-competitive agreements with competitors<br>§3: Cooperate effectively and efficiently with investigating authorities<br>§4: Promote employee awareness of and compliance with all applicable competition laws and regulations<br>Chapter XI: Taxation<br>§1: Making timely tax payments. Fully comply with the tax laws of host countries. Provide authorities with timely information that is relevant or required by law for purposes of the determination of taxes. Conform to transfer pricing practices to the Arm's Length Principle.<br>§2: Treat tax governance and compliance as important elements in broader risk management systems. Adopt tax risk management strategies to ensure that the financial, regulatory, and reputational risks associated with taxation are fully identified and evaluated<br>Chapter II: General policies<br>§A.15. Abstain from improper involvement in local political activities | | |
| | Chapter VIII: Consumer interests<br>§1: Ensure that goods and services meet all agreed or legally required standards for consumer health and safety, including those pertaining to health warnings and safety information | 6.7 Consumer issues<br>6.7.3. Fair marketing, factual and unbiased information, and fair contractual practices<br>6.7.4. Protecting consumers' health and safety | No reference |

| | | | |
|---|---|---|---|
| | §2: Provide accurate, verifiable and clear information to enable consumers to make informed decisions. Provide information in a manner that facilitates consumers' ability to compare products<br>§3: Provide consumers with information on non-judicial dispute resolution and redress mechanism that is fair, easy-to-use, and timely<br>§4: Not make representations or omissions, nor engage in any other practices, that are deceptive, misleading, fraudulent, or unfair<br>§5: Support efforts to promote consumer education to improve consumers' ability to make informed decisions, better understand the impact of their decisions and support sustainable consumption<br>§6: Respect consumer privacy and protect personal data of consumers<br>§7: Cooperate with public authorities to prevent and combat deceptive marketing practices. Cooperate with public authorities to diminish or prevent serious threats to public health and safety or threats to the environment from the consumption or use or disposal of goods and services<br>§8: Consider the needs of vulnerable and disadvantaged consumers.<br>Consider the specific challenges<br>e-commerce may pose for consumers | 6.7.5. Sustainable consumption<br>6.7.6. Consumer service, support, and complaint and dispute resolution<br>6.7.7. Consumer data protection and privacy<br>6.7.8. Access to essential services<br>6.7.9. Education and awareness | |
| **Transparency** | Chapter III: Disclosure<br>§1: Disclose timely and accurate information on all material matters concerning activities, structure, financial situation, and performance | 4.3: Transparency<br>An organisation should be transparent regarding: the purpose, nature and location of its activities; the identity of any controlling interest in the | No reference |

| | | | |
|---|---|---|---|
| | §2: Enterprises' disclosure policies should include the following material information: Financial and operating results; Enterprise objectives; Major share ownership and voting rights; Remuneration policy for board members and key executives, and information about board members; Related party transactions; Foreseeable risk factors; Issues regarding workers and other stakeholders; Governance structures and policies<br>§3: Enterprises are encouraged to communicate additional information such as: value statements or statements of business conduct, including policies relating to matters covered by the Guidelines; What policies and codes of conduct it has subscribed to, the date of adoption and the entities to which such statements apply<br>§4: Enterprises should have high- quality standards for accounting, financial and non-financial disclosure. The standards and policies that are used to compile this information should be disclosed. An independent, annual audit should be conducted | activity of the organisation; the manner in which its decisions are made, implemented and reviewed; standards and criteria against which the organisation evaluates its own performance relating to social responsibility; its performance on relevant and significant issues of social responsibility; the sources, amounts and application of its funds; the known and likely impacts of its decisions and activities on its stakeholders, society, the economy, and the environment; and its stakeholders and the criteria and procedures used to identify, select and engage them | |
| **Local development** | Chapter II: General Policies<br>§A.3. Encourage local capacity building through close cooperation with the local community<br>§A.4. Encourage "human capital formation," particularly by creating employment opportunities and facilitating training opportunities for employees<br>Chapter V: Employment and Industrial Relations | 6.8 Community involvement and development<br>6.8.3. Community involvement<br>6.8.4. Education and culture<br>6.8.5. Employment creation and skills development<br>6.8.6. Technology development and access | No reference |

| | | | |
|---|---|---|---|
| | §5. Employ local workers and provide training with a view to improving skill levels as much as possible | 6.8.7. Wealth and income creation [including tax responsibilities]<br>6.8.8. Health<br>6.8.9. Social investment | |
| **Science & Technology** | Chapter IX: Science and Technology<br>§1: Ensure that activities are compatible with the science and technology policies and plans of host countries. Contribute to the development of local and national innovative capacity<br>§2: Adopt practices that permit the transfer and rapid diffusion of science and technology and know-how, with due regard to intellectual property rights<br>§3: Undertake science and technology development in host countries to address local market needs. Employ and train host country personnel in science and technology capacities<br>§4: Contribute to the long-term sustainable development prospects of the host country when granting use of intellectual property rights or transferring technology<br>§5: Develop ties with local universities and public research institutions, and participate in cooperative research projects with local industry or industry associations | 6.8.6. Technology development and access | No reference |

## CONCLUSION

The OECD Guidelines for Multinational Enterprises, ISO 26000 Guidance on Social Responsibility, and the United Nations Global Compact all aim to stimulate responsible business practices. They cover a broad range of corporate responsibility and corporate accountability issues. However, the initiatives also differ fundamentally in how they aim to achieve their objective. The OECD Guidelines, with their dispute settlement mechanism, offer an instrument to hold companies to account for adverse impacts. ISO 26000 is an implementation standard providing detailed guidance on how businesses can operate in a socially responsible way. The Global Compact is a learning platform that provides businesses with the opportunity to showcase their good intentions.

### STRENGTHS AND WEAKNESSES

The OECD Guidelines are backed by 46 OECD and adhering governments. This government backing provides the guidelines with an authoritative basis. To date, it is the only government-backed corporate accountability instrument that includes a complaint mechanism for addressing alleged violations of the guidelines. However, the outreach of the OECD Guidelines is limited as they are only applicable to companies operating in or from one of the 46 OECD and adhering countries. In addition, some clauses have weak language, including numerous “where appropriate” and some expectations are less ambitiously formulated than those in the Global Compact and ISO 26000 (see, for instance, the paragraph on child labour). The “specific instance” mechanism provides an opportunity for civil society organisations to lodge complaints about alleged violations of the OECD Guidelines. However, the effectiveness of the instrument in ensuring positive outcomes has been limited. In particular, the track record of National Contact Points in their handling of complaints has been diverse.

The ISO 26000 guidance standard was developed in a unique multi-stakeholder setting. It is the only international multi-stakeholder process on (corporate) social responsibility with such strong input from developing countries, including from non-governmental organisations in these countries. It has a potentially large outreach to businesses and other organisations worldwide. Preliminary research suggests that the standards particularly appeal to companies in developing countries. ISO 26000 does not contain requirements and is not intended for certification. With no verification or enforcement mechanism, however, it is difficult to assess the impact of ISO 26000.

Currently, the Global Compact is the most popular corporate responsibility initiative among businesses, with more than 7,000 corporate participants, including a large membership base in developing countries. Its simplicity and the fact that businesses are given the opportunity to publicly commit to implementing the Compact’s ten principles add to its appeal. However, there is also a clear downside. Due to the absence of screening of new participants and the lack of enforcement mechanisms to ensure that the corporate participants adhere to the ten principles, there is a risk that companies might use their Global Compact membership to improve corporate images and not for real improvements in social and environmental issues.

## HOW CAN CIVIL SOCIETY ORGANISATIONS USE THE INSTRUMENTS?

### OECD Guidelines: Mediation

The OECD Guidelines and their complaint procedure provide an opportunity for civil society organisations and trade unions to address corporate misconduct and seek resolution of conflicts for affected parties. Although the OECD Guidelines are not binding on companies, OECD and adhering governments are legally bound to implement them and have an obligation to establish a National Contact Point to handle complaints. The purpose of the complaint procedure is to resolve alleged breaches of the Guidelines through mediation, in other words facilitating dialogue between the parties.36 This government-backed complaint procedure is a unique characteristic of the OECD Guidelines. It should be noted, however, that civil society organisations and trade unions have mixed experiences with how national contact points handle complaints. The remediation process may be long and a positive outcome is not guaranteed. OECD Watch, an international network of civil society organisations, keeps track of cases filed by CSOs at NCPs around the world.37 In addition, the network has published a guide that includes step-by-step guidance for filing an OECD Guidelines complaint.38 Civil society organisations that are considering filing a complaint at a NCP are advised to take a look at OECD Watch’s materials at www.oecdwatch.org.

### Global Compact: Address False Ethical Claims or Initiate a Dialogue

Due to the Global Compact’s weak accountability mechanism, there are currently many corporate participants that are violating one or several of the ten Global Compact principles. If a civil society organisation wishes to address certain corporate malpractice, it is advisable to check the Global Compact participant database at www. unglobalcompact.org/participants/search to see if the company in question is a Global Compact member. If the company is a member of the Global Compact, then the company can be pointed to its failure to live up to its public commitment. In addition, sending a complaint to the Global Compact Office under the integrity measures can be considered. The Integrity Measures include a procedure for initiating dialogue around serious violations of the Compact’s overall aims and principles. The aim of the procedure is to promote a dialogue between the complainant and the company concerned. Ultimately, a company can be delisted from the Global Compact, but this has rarely happened. Filing a complaint with the Global Compact office can be useful in order to get a response from the company in question and to engage in a dialogue with the company. Second, it will give a signal to the Global Compact that, without adequate monitoring and enforcement mechanisms, the initiative fails to hold corporations to account. Examples of complaints sent to the Global Compact Office under the integrity measures can be found on the Global Compact Critics blog (www.globalcompactcritics.org).

ISO 26000 addresses false ethical claims and assesses corporate responsibility policies

ISO 26000 offers detailed guidance on a broad range of corporate responsibility and corporate accountability aspects. It can offer civil society organisations a frame of reference to assess corporate policies and procedures. Given the fact that ISO 26000 provides guidance for all organisations, civil society organisations can also use the instrument to develop their own CR policies and practices. In addition, misuse of the standard can be addressed. While ISO 26000 offers guidance, it does not contain requirements; no complaints regarding violations of ISO 26000 core subjects can be made under ISO 26000. However, it is possible to file a complaint regarding misuse of ISO standards. ISO 26000 explicitly states that it is not intended or appropriate for certification. Any claim of a company that it is 'ISO 26000 certified' would be a misuse of ISO 26000. Such misuses have been reported on various occasions.40 ISO's complaint procedure is described further on its website: http://www.iso.org/iso/home/standards/certification/complaints.htm

# SECTION VI: SPECIFIC INITIATIVES IN THE INDIAN CONTEXT

Recognising its importance in encouraging CSR practices in India, the government has developed some initiatives as follows:

***The Guidelines for Corporate Social Responsibility for Central Public Sector Enterprises*** (CPSEs) were introduced in March 2010 and provide a detailed approach to planning, implementation, research, documentation, advocacy, promotion, and development of CSR projects and activities. The guidelines place a particular emphasis on measuring and monitoring impact. It specifies the percentage of profit-after-tax to be allocated, the need for baselines and assessments for CSR projects, asks Indian PSUs to work in partnership with civil society and institutions, and specifies independent third-party evaluations. Annual MOU assessments take stock of performance and are included in annual performance reviews.

The CSR budget is mandatorily created through a Board Resolution as a percentage of net profit in the following manner:

| TYPES OF CPSES NET PROFIT (PREVIOUS YEAR) | EXPENDITURE RANGE FOR CSR IN A FINANCIAL YEAR (% OF PROFIT) |
|---|---|
| Less than Rs. 100 crores | 3% - 5% |
| Between Rs. 100 crore – Rs. 500 crores | 2% - 3% (subject to a minimum of Rs. 3 crore) |
| Rs. 500 crore and above | 0.5% - 2% |

*See: www.dpe.nic.in*

In March 2011, the Ministry of Corporate Affairs released the ***National Voluntary Guidelines on Social Environmental and Economic Responsibilities of Business***, an updated version of guidelines first introduced in 2009. Aimed at private sector corporations, the guidelines consider insights from various international and national good practices, norms, and frameworks, and provide a distinctively 'Indian' approach. The Guidelines have been articulated in the form of nine Principles with associated Core Elements to put into practice.
*See: www.iica.in*

In May 2012, The Ministry of Environment and Forests issued a draft paper on ***Institutionalising Corporate Environment Responsibility in the Public Domain.*** It refers to the National Environment Policy (NEP) of 2006 and the environment commitments in Articles 48A & 51 A (G) strengthened by Article 21 of the constitution. These guidelines are expected to be finalised in the latter half of 2012.
*See: www.moef.nic.in*

SEBI has in November 2011 also mandated the top 100 Companies by market capitalisation to report on CSR.
*www.sebi.gov.in*

***Government interventions are critical both for regulating and monitoring that standards are followed and that a weak regularity environment is not encouraging irresponsible practices.***

*An expert panel 2012 study on Indian Managers & their understanding of corporate responsibility shows that the average level of agreement for strategic CSR shows that this view is not widespread and is not an appropriate reflection of the Indian context. It also highlights that business cannot be pursued in the long run without complying with laws. "Social Pressure" is a key driver that is limiting negative impacts. The innovation CSR concept faces a higher level of agreement than strategic CSR understanding.*

## COMPANIES ACT 2013: AN OVERVIEW

The Companies Act, 2013 enacted on 29 August 2013, aims to improve corporate governance, simplify regulations, enhance the interests of minority investors, and for the first time legislate the role of whistle-blowers. The new law replaced the nearly 60-year-old Companies Act, of 1956 ('1956 Act'). The 2013 Act provides an opportunity to catch up and make our corporate regulations more contemporary, as also potentially to make our corporate regulatory framework a model to emulate for other economies with similar characteristics. The 2013 Act is more of a rule-based legislation containing only 470 sections, which means that a substantial part of the legislation will be in the form of rules. There are over 180 sections in the 2013 Act where rules have been prescribed and the draft rules were released by the MCA in three batches. It is widely expected that the 2013 Act and indeed the rules will provide for phased implementation of the provisions and in line with this, 98 sections of the 2013 Act have been notified and consequently, the corresponding section of the 1956 Act ceases to be in force. The 2013 Act has introduced several provisions which would change the way Indian corporates do business and one such provision is spending on Corporate Social Responsibility (CSR) activities. CSR, which has largely been a voluntary contribution, by corporates has now been included in the law. Basis the CSR provisions, as laid down under the 2013 Act and the draft CSR rules made available for public comments, in this bulletin we bring out the key provisions, analysis, and challenges relating to the compliance of these provisions for companies to consider.

**Applicability and constitution of a CSR Committee**

- Section 135 of the 2013 Act states that every company having:
  - Net worth of Rs 500 crore or more, or
  - Turnover of Rs 1000 crore or more, or
  - Net profit of Rs 5 crore or more during any financial year
  - Shall constitute a Corporate Social Responsibility Committee of the Board

- The committee would comprise of three or more directors, out of which at least one director shall be an independent director

- The mandate of the said CSR committee shall be:
  - To formulate and recommend to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company as specified in Schedule VII;
  - To recommend the amount of expenditure to be incurred on the activities referred to above;
  - To monitor the Corporate Social Responsibility Policy of the company from time to time

## RESPONSIBILITY OF THE BOARD

The Board of every company referred to above shall after taking into account the recommendations made by CSR Committee:

- approve the CSR Policy for the company and disclose contents of such Policy in its report and also place it on the company's website, and
- ensure that the activities as are included in CSR Policy of the company are undertaken by the company, and
- ensure that the company spends, in every financial year, at least two per cent of the average net profits
- If the Company fails to spend such amount, the Board shall, in its report specify the reasons for not spending the amount
- "Average net profit" shall be calculated in accordance with the provisions of section 198 of the 2013 Act

## CSR ACTIVITIES AS PER SCHEDULE VII

CSR activities to include:

- eradicating extreme hunger and poverty
- promotion of education
- promoting gender equality and empowering women
- reducing child mortality and improving maternal health
- combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases
- ensuring environmental sustainability
- employment enhancing vocational skills
- social business projects

- contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and
- relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other
- backward classes, minorities, and women; and
- such other matters as may be prescribed

The 2013 Act provides that the company shall give preference to the local area and areas around it where it operates

## RULES AND CSR POLICY

CSR rules provide for the following:

- 'Net Profit' for the section 135 and these rules shall mean, net profit before tax as per books of accounts and shall not include profits arising from branches outside India
- Reporting will be done on an annual basis commencing from FY 2014-15
- Tax treatment of CSR spend will be in accordance with the IT Act as may be notified by the Central Board of Direct Taxes (CBDT)
- CSR activities may generally be conducted as projects or programmes (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company
- The CSR Committee shall prepare the CSR Policy of the company which shall include the following:
    - specify the projects and programmes to be undertaken
    - prepare a list of CSR projects/programmes which a company plans to undertake during the implementation year, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same
    - CSR projects/programmes of a company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value
    - Surplus arising out of the CSR activity will not be part of business profits of a company
    - would specify that the corpus would include 2 percent of the average net profits, any income arising therefrom, and surplus arising out of CSR activities

Where a company has been set up with a charitable objective or is a Trust/Society/Foundation/any other form of entity operating within India to facilitate implementation of its CSR activities, the following shall apply:

- contributing company would need to specify the projects/ programs to be undertaken by such an organisation, for utilizing funds provided by it;
- contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only A company may also implement its CSR programs through not-for-profit organizations that are not set up by the company itself. Such spending may be included as part of its prescribed CSR spending only if such organisations have an established track record of at least three years in carrying out activities in related areas

- Companies may collaborate or pool resources with other companies to undertake CSR activities.
- Only such CSR activities will be taken into consideration as are undertaken within India
- Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity
- Companies shall report, in the prescribed format, the details of their CSR initiatives in the Directors' Report and in the company's website

The Ministry of Corporate Affairs formed a committee to create proper guidelines for CSR implementation, the first High-level Committee was constituted in 2015 and the second one in 2018 with experts. The committee examined the guidelines and tested their appropriateness for implementation by companies.

## FIRST HIGH-LEVEL COMMITTEE, 2015

Though the Companies Act was a provision of law, the newly introduced "CSR" provisions had given rise to many concerns among the stakeholders. These range from the formulation of CSR policies; issues of compliance and disclosures; capacity constraints; optimal utilization of CSR spending for the benefit of the target communities; to effective mechanisms for monitoring its implementation by the companies etc. In this context the Ministry of Corporate Affairs, Government of India constituted a High-Level Committee (HLC), under the Chairmanship of Mr. Anil Baijal, to suggest measures for monitoring the progress of implementation of Corporate Social Responsibility policies.

The Committee held widespread consultations with a cross-section of stakeholders' viz, corporates, their industry associations, public sector undertakings, civil society organisations, and other professional bodies like the Indian Institute of Corporate Affairs, Institute of Company Secretaries, and Indian Institute of Chartered Accountants and received valuable suggestions. The Business and Community Foundation (BCF) also gave its feedback.

The committee proposed a few suggestions. The Major Recommendations of this committee are as follows:

- All CSR programs should be approved by the board / CSR committee.
- Companies with CSR expenditure of more than 5 crores should implement CSR activities through programmes and companies with less than 5 crores through projects.
- If the time taken for implementation is long, then the unspent CSR fund should be allowed to be carried forward.
- The ceiling of administrative overhead should be increased from the present 5% to 10%.
- Administrative overhead should not include expenditure on capacity building of the implementing agencies.
- Encourage companies to involve their employees in their CSR activities.
- CSR information of companies needs to be compiled by the Ministry of Corporate Affairs and placed in the public domain.

## CSR SPENDING - 2014 TO 2017

| S. No. | Year | Rs. In crores |
|---|---|---|
| 1 | 2014 – 15 | 8803 |
| 2 | 2015 – 16 | 9822 |
| 3 | 2016 - 17 | 14344 |

Source: www.csr.gov.in

## SECOND HIGH-LEVEL COMMITTEE, 2018

Though India is economically growing rapidly, the inequalities gap widened. For making the CSR activities much more effective, the GOI formulated a second High-Level Committee in 2018 under the Chairmanship of Mr Injeti Srinivas to give suggestions. There were still many areas that needed clarity.

The High-Level Committee of 2018 after much deliberation came out with its suggestions. The major recommendations were;

1. Limited Liability Partnerships and registered Banks were also brought into the purview of CSR laws.
2. Newly started companies can wait for 3 years to start spending on CSR and a company with under 50 Lakh turnover need not constitute a separate committee for CSR. The board itself can function as the CSR Committee.
3. The unspent amount can be transferred to another account opened for CSR spending. This unspent amount along with interest can be utilized for up to 5 years.
4. Companies are encouraged to forge partnerships and create capital assets that can be used by the public. It was also suggested by the committee that the CSR activities of the companies should focus on the local areas.
5. Contributions to Central government funds are discontinued as CSR spending.

6. Implementing agencies have to be registered with MCA and disbursal of funds to agencies is not to be considered as CSR spending.
7. CSR spending to be excluded from tax.
8. Social Impact Companies to be created to pursue social outcomes.
9. MCA to prepare guidelines for CPSUs.
10. International organisations can be the implementing Agencies for creating, monitoring, and evaluating CSR activities.
11. A CSR expert can be on the board of a company and randomly, 5% of the companies can be evaluated on their CSR activities.

During COVID, the government created a private trust called PM Cares Fund in 2020 and CSR money could be donated by companies to this trust.

Out of the 130 companies analysed, 113 (or 87%) have pledged support either through cash or kind. Of these 113, as many as 84 (including support through the corporate group) contributed.
Rs 7,537 crore which can be classified as CSR spend, and forms the bulk of CSR contribution in 2020. Of the total contribution, 57% was contributed to the PM CARES Fund and the balance was spent on other relief funds, food/ ration donations, masks, sanitisers, and PPE kits – which a monetary value was attached. The remaining 29 either contributed to other funds (Rs 373 crore), and/or facilitated voluntary employee donations (Rs 84 crore) that cannot be classified as CSR spend, or donated solely in kind (food and masks), for which assigning a monetary value was difficult.

| **PM CARES Fund** | **Others** | Total |
|---|---|---|
| 4,316 | 3,221 | 7,537 |

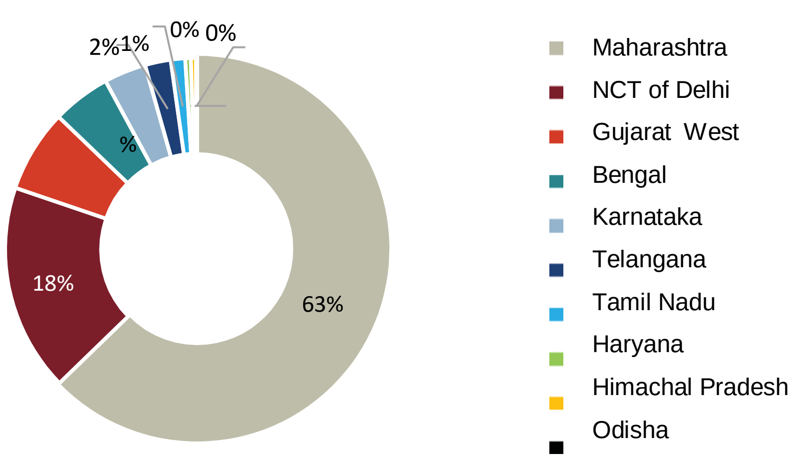
Source: Doing good in bad times – CRISIL CSR Year Book 2020, by CRISIL Foundation.

However, all states did not receive equivalent CSR contributions.

## MOST-AFFECTED MAHARASHTRA, SOURCE OF MAXIMUM CONTRIBUTION – CSR SPENDING DURING THE PANDEMIC

Maharashtra was one of the most affected states in India during the pandemic. But of the 84 corporates that pledged support in cash, 36 companies from Maharashtra spent Rs 4,728 crore (63%). The National Capital Territory (NCT) of Delhi followed with 13 companies spending 17%. Among others, nine companies from Gujarat chipped in with 7%.

### Share of spending by state (%)




Source: CRISIL Year Book, 2022

The CSR contribution state-wise did not justify the need for development work or the SDG goals. It continued on the "around the factory" model of CSR. States like Maharashtra, Gujarat, and the National Capital Region of Delhi were the maximum contributors to the CSR kitty. The CSR guidelines did not help in equitable distribution. However, the public sector companies decided to invest their CSR in the 115 poorest aspirational districts of the country.

At the same time, Responsible Business Conduct guidelines by the Ministry of Corporate Affairs (MCA) were passed to create ethical, transparent, and accountable practices.

## NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT, 2019

National Guidelines on Responsible Business Conduct (NGRBC) is a revised version of the National Voluntary Guidelines (NVG) (2011). NGRBC has been revised to assist businesses to perform above and beyond their mandatory compliance level. The primary rationale for this update was to match up on the national and international development agenda and business responsibility field that have occurred since the release of NVG, in 2011. Some of these major developments were UN Guiding Principles for Business and Human Rights, Paris Agreement on Climate Change, UN SDGs, the Companies Act, in 2013, etc. The effort was to align with international norms.

The NGRBC is designed to be used by all businesses, irrespective of their ownership, size, sector, structure, or location. It is expected that all businesses investing or operating in India including foreign MNCs will follow these Guidelines.

The Report consists of revised and updated principles of business responsibility (previously of NVG), guidance to MSMEs and Business Responsibility Reporting Framework (BRRF), and guidance to businesses on using BRRF as a self-assessment tool.

The revised principles are

1. Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent, and accountable.
2. Businesses should provide goods and services that are sustainable and safe.
3. Businesses should respect and promote the well-being of all employees, including those in their value chains.
4. Businesses should respect the interests of and be responsive to all their stakeholders.
5. Businesses should respect and promote human rights.
6. Businesses should respect and make efforts to protect and restore the environment.
7. Businesses when engaging in influencing public and regulatory policy should do so in a manner that is responsible and transparent.
8. Businesses should promote inclusive growth and equitable development.
9. Businesses should engage with and provide value to their consumers in a responsible manner.

## GUIDANCE TO MICRO SMALL AND MEDIUM ENTERPRISES (MSMES)

The steps that MSMEs should take to adopt the National Guidelines on Responsible Business Conduct are:

1. Prioritizing the Core Elements.: The first step in adoption has to be prioritizing the Core Elements. In order to do this, the MSME must map all the Core Elements against Its own vision, mission, values, Laws and regulations, Buyer/Customer codes, and business success factors. Those that align with or contribute to these must be considered a priority.
2. Embedding Prioritized Core Elements: All the prioritized Core Elements must then be integrated into the core business.

## NATIONAL BUSINESS RESPONSIBILITY REPORTING FRAMEWORK

The NGRBC details the reporting framework associated with the National Guidelines for Responsible Business Conduct. It consists of three sections:

***Section A*** – General Disclosures, covering operational, financial, and ownership-related information,

***Section B*** – Management and Process Disclosures covering the structures, policies, and processes to integrate the Guidelines, and

***Section C*** – Principle-wise Performance Indicators covering how well businesses are performing in pursuit of these Guidelines.
*Source: www.mca.gov.in*

## CSR AMENDMENTS, 2021

The implementation of the NGBRC framework has been limited as it is VOLUNTARY. It is not enforced strictly by the ministry. By 2020, COVID pandemic had an impact on industries and the Ministry held back the revised guidelines due to falling profits and large-scale relief work especially for COVID relief and migrants. Midway through the COVID phase, MCA released new amendments as below;

The Ministry of Corporate Affairs (MCA) notified the Companies (CSR Policy) Amendment Rules, 2021 through a notification dated 22 January 2021. The major amendments are the following.

1. Every company must spend at least 2% of their average net profits made during the three previous financial years towards Corporate Social Responsibility (CSR) in the current financial year.
2. The activities which do not count in CSR are defined. They are

    - One-off event such as contributions, awards, or sponsorships
    - Activities are undertaken in fulfilment of any statutory obligation under any other law.
    - Contributions to any political parties as electoral bonds are in place for this.
    - Activity undertaken outside India except for training Indian sports personnel
    - Activities undertaken in its normal course of Business.
    - Any commitment required to be fulfilled due to a contract or a law.

3. CSR activities can be implemented by the company, any NPO, registered trust or society, any entity established by central or state government, Parliament, or state Legislature. All such entities should be registered under MCA.
4. Activities undertaken for the benefit of its employees can't be considered CSR.
5. Administrative expenses are redefined. It includes general management, CSR staff salary, expenses on design, implementation, and M&E.
6. A company having more than 10 crores of CSR spending for the last three Financial Years should undertake an impact assessment of projects through an independent agency.
7. International organisations may be used for designing and monitoring and evaluating CSR projects and capacity building.
8. If the company has underspent CSR funds, it should disclose the reasons. If overspent, it can set it off against the next Financial Year.
9. If a company makes an asset under CSR, it must be handed over to the community. In case revenue is generated from that asset, it is considered CSR income and should be spent on CSR only.
10. In-Kind contributions are strictly prohibited.
11. Surplus from the CSR projects should be either used in the same project or transferred to the Unspent CSR account.
12. Requirements for CSR reporting have been prescribed.
13. New guidelines for accounting have been prescribed. Companies must create separate ledger accounts for all CSR expenses. Guidelines are given for implementing agencies also.
14. Documentation for CSR spending is enhanced.
15. Schedule VII has been added with one more area, promotion, and preventive health care.
16. PM Cares Fund is added to Schedule VII. The contribution to which gets 100% tax exemption under section 80G of IT Act.

**CSR Spending in India from 2014 to 2021**

| Sl. No | Year | Amount in crores |
|---|---|---|
| 1 | 2014 – 15 | 8,803 |
| 2 | 2015 - 16 | 9,822 |
| 3 | 2016 – 17 | 14,344.87 |
| 4 | 2017 – 18 | 17,098.18 |
| 5 | 2018 – 19 | 20,172.07 |
| 6 | 2019 - 20 | 24,891.63 |
| 7 | 2020 - 21 | 24,865.46 |
| 8 | 2021 – 22 | 25,700.00 |

Source: csr.gov.in

## CSR AMENDMENTS 2022

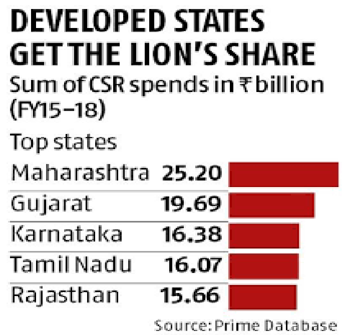
The Ministry of Corporate Affairs sent a declaration in the gazette on 20th September 2022. According to which the rules may be called as Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022. The major provisions under this are:

1. A second provision was inserted into Rule 3(1) that CSR activities have to be monitored till the unspent amount is utilised.
2. A company may undertake CSR activities either through itself or appoint a section 8 company, a registered trust, or society, which is approved under section 80G and has a three-year of experience in implementing such activities.
3. Limits to book expenditure were reduced from 5% or 50 Lakh whichever is less to 2% or 50 lakhs whichever is higher.
4. The template of the annual report on CSR has been rationalised.
5. Rule 3 has been aligned with section 135(1), which is all companies that would cease to be covered under the said section were also required to continue with compliance with section 135(1), incurring CSR expenditure, consulting committee, etc for up to three financial years.

 Source: www.vinodkothari.com

## DRAWBACKS OF CSR IN INDIA

- As per a KPMG report, companies tend to implement CSR projects near their area of work. Most of the time those areas are well-developed. That means the aspirational areas of the nation which are in ardent need of resources are again neglected.
- Many times, companies underspent their CSR fund saying that they cannot identify the right project or organisations to be associated with. Most of the companies try to give money to NGOs they are associated with.
- Companies in India in order to avoid paying money to CSR activities, follow poor disclosure standards when it comes to releasing the details of their CSR spend.
- Significant amounts of funding go to higher industrialised States like Maharashtra, Karnataka, Gujarat, and Tamil Nadu, which have received more than 30 percent of the total CSR spend during 2015. This could be for multiple reasons, for example, the company is looking to have a positive social impact in its areas of operation, as well as deeper connections with social impact organisations operating in the same area. However, on analysis of the CSR spending in various states, developed states get Lion's Share.




Source: www.csrmandate.org

- CSR expenditure modes where almost 44 percent of all spending is done by the companies themselves or via trusts/societies/Section 8 companies set up by them. Another 43 percent is done through various implementation partners.
- Out of all the mentioned areas, popular areas for CSR work remain to be Education, Health, and Poverty Alleviation. There are many other areas where significant work can be done which are very beneficial to the people and all these areas are neglected.
- The concentration of spending in these States means that States such as Jharkhand, Bihar, Chhattisgarh, Madhya Pradesh, and Uttar Pradesh, which account for more than 55 percent of the aspirational districts (States with poor socio-economic indicators), receive only 9 percent of the total expenditure towards CSR.
- Lack of transparency by the implementing agency is another problem. They do not make adequate efforts to disclose information about their programmes, audit, impact assessment, or utilisation of funds.

Because of all these drawbacks identified over the period, BCF along with Praxis set up Corporate Responsibility Watch along with 11 other organisations and has been analysing and publishing Business Responsibility Reports from 2014, which examines the major concern areas over a six-year period. This effort was to align BR with CSR and not look at 'CSR' in isolation. These reports are in the public domain analysing information from public company reports. Corporate Responsibility Watch (CRW), a voluntary initiative of a dozen non-profits is among one of the pioneering initiatives in the country that is attempting to unpack, track and monitor corporate responsibilities.

### 1. Disclosure Matters: The First Step Towards Business Responsibility, 2014

The long-running role of a business's role in society is caught between two contrasting ideological positions. The first implies that social issues are peripheral to the challenges of corporate management. On the other side, are the proponents of corporate social responsibility, encompassing companies that claim that they already practice the principles of CSR and sceptical advocacy groups arguing that they must go further in mitigating their social impact and contributing to development. India had evolved with the idea of trusteeship and has enacted legislation that enables the companies to channelise their surplus to the community's good. An analysis is made of the level of disclosure among companies. The second part endeavours to move beyond the reporting of compliance to an analysis of content that has been reported by the companies to make it simple for citizens and stakeholders to analyse the performance of a company.

### 2. CSR In India, 2016

The National Voluntary Guidelines, 2011 remain an umbrella document for business to measure their programmes. This report, "CSR in India, 2016" looks at CSR, much beyond what other CSR reports have been looking at. It focuses on the core business of the companies, that is, 'how profits are made', rather than just what they are doing with two percent of their profit. The report starts with the idea of CSR, analysing whether it's a charitable proposition. There are three major parts to the report, titled Labour: The Struggle for Dignity, CSR: whose developments and State, Business and Community: A Need for Accountable Relationships. The last section examines the Human Rights aspects of businesses, responsible business practices, and whether Indian companies respect CSR obligations and collaborative commons for communities and businesses.

### 3. Status of Corporate Responsibility in India, 2017: CSR not a Band-Aid Solution for Irresponsible Practices

This second edition of CSR in India aimed to maintain the continuity in compelling companies to go beyond the mandated two percent CSR spent and examine how the profits are made, rather than how it is being spent. With the analyses of the business responsibility reports (BRR), authors have outlined the ground realities of CSR practices through the lens of labour reform, worker rights, and current trends within the policy environment, based on the information available through BRR, annual reports, annual CSR reports of different companies. BCF is one of the founding members of CRW, along with PRAXIS which hosted the secretariat as a voluntary pro bono effort.

### 4. Status of Corporate Responsibility in India, 2018: Do Businesses Respect Human Rights?

This is the third edition in the series of Status of Corporate Responsibility in India Reports. CRW (corporate responsibility watch) is an initiative that attempted to unpack, track and monitor corporate responsibility as well as clearly separate it from the overpowering CSR narrative that tends to absolve companies of their responsibilities to the nine basic principles defined in the Ministry of Corporate Affairs National Voluntary Guidelines (NVG) for responsible business. Since the passing of the Companies Act 2013, the narrative of the 2% spent on CSR has not focussed on the larger debate on 'Business Responsibility' but more as a philanthropic exercise.

### 6. Status of Corporate Responsibility in India, 2019: Is Human Rights in Business Limited to Rhetoric?

This was the fourth in the series of Status of Corporate Responsibility in India reports. The authors, all experts in their respective fields, have built on the analysis of the BRRs to unpack and nuance ground realities of corporate responsibility in India on issues as diverse as the dilution of environmental norms, state-business complicity, health impacts on consumers and communities, child labour, violation of worker and child rights in the corporate sector and businesses and human rights defenders. The articles were based on broadly four categories. Worker's Rights, Child Labour: putting children in harm's way, State- business complicity and Health risk posed by corporates.

### 7. Status of Corporate Responsibility in India 2020: Business as Usual: Pandemic and After.

The 2020 issue of Corporate Watch focuses on CSR, Its Key trends, and the way forward. This issue focuses on the pandemic and its challenges, especially the corporatization of health care in India and the challenges in Education. This report investigates sectorial issues, specifically the sandstone industry of Rajasthan and farmers' claims about land acquisition. It also investigates the automobile industry and its responsibility to save workers from life-altering accidents. It focussed on CSR regulations, covering its amendments till January 2021. The report analyses the Kitex model, the corporate takeover of a Panchayat through its CSR arm, and how it took over the Panchayat by winning seats because of the company's feud with the local panchayat. CRW reports focus on "how" profits are made than merely looking at the charitable two percent profits if accrued due to violating labour/human/environmental rights that are of no use to anyone, neither to the planet nor people.

**Source: corporatewatch.in/reports**

## BUSINESS AND HUMAN RIGHTS

Human rights are basic rights and freedoms for all. They are based on dignity, fairness, equality, and respect. States are obligated under international human rights law and agreements to protect against human rights abuse within their territory and/or jurisdiction by third parties, including business enterprises. Even if States do not fulfil their obligations, all business enterprises are expected to respect human rights.

Businesses have a significant impact on the way we live our life and enjoy these human rights. Human rights matter in business because shareholders, investors, governments, and civil society expect companies to respect human rights. Companies are increasingly held accountable for human rights performance in their daily operations, supply chains, and business relationships. Businesses associated with human rights harm experience financial, legal, reputational, and stakeholder relation risks. On the other hand, companies that get it right sustain their social license to operate build up their brand, and support communities' well-being.

Businesses can play a vital role in protecting human rights. Emerging practice demonstrates that human rights are important in corporate sustainability. Companies across the world implement policies and processes to adopt a systematic, do-no-harm approach that integrates responsibilities into their daily operations. In practice, companies are expected to know and show how they minimise harm to people. The burden of proof is on companies to demonstrate that they are not contributing to harm in global value chains.

The UN Guiding Principles on Business and Human Rights (UNGPs), call upon businesses to make a public commitment to respect human rights, carry out human rights due diligence, and provide a remedy when things go wrong. These guiding Principles were endorsed by United Nations Human Rights Council in 2011. These principles have become an expected standard of business conduct for companies. They define the expectations of business conduct on human rights and state that all companies – regardless of size and sector – have a responsibility to 'respect' human rights.

The Three Pillars of Guiding Principles are Protect, Respect, and Remedy.

- **PROTECT - STATE DUTY TO PROTECT HUMAN RIGHTS -** The first pillar of the Guiding Principles is the state's duty to protect against human rights abuses through regulation, policymaking, investigation, and enforcement. This pillar reaffirms states' existing obligations under international human rights law, as put forth in the 1948 Universal Declaration of Human Rights.

- **CORPORATE RESPONSIBILITY TO RESPECT -** Businesses must act with due diligence to avoid infringing on the rights of others and to address any negative impacts. The UNGPs hold that companies have the power to affect virtually all of the internationally recognized rights. Therefore, there is a responsibility of both the state and the private sector to acknowledge their role in upholding and protecting human rights. In conducting due diligence, the UNGP encourage companies to conduct a Human Rights Impact Assessment through which they assess their actual and potential human rights impacts.

- **ACCESS TO REMEDY IF THESE RIGHTS ARE NOT RESPECTED -** The third pillar addresses both the state's responsibility to provide access to remedy through judicial, administrative, and legislative means and the corporate responsibility to prevent and remediate any infringement of rights that they contribute to. Having effective grievance mechanisms in place is crucial in upholding the state's duty to protect and the corporate responsibility to respect. The UNGPs dictate that non-judicial mechanisms, whether state-based or independent, should be legitimate, accessible, predictable, rights-compatible, equitable, and transparent. Similarly, Company-level mechanisms are encouraged to operate through dialogue and engagement, rather than with the company acting as the adjudicator of its own actions. The main criteria against the UNGPs initiated by Prof. John Ruggie are that it is voluntary, seen as an attempt by many to keep regulation at bay, and cannot enforce it. There are NO REMEDIES against the state if it is a violation of rights.
  *Source: www.ohchr.org, www.un.org, www.ungpreporting.org*

## PM CARES FUND

The PM CARES Fund (Prime Minister's Citizen Assistance and Relief in Emergency Situation Fund) has been set up on March 28th, 2020 to deal with any kind of emergency or distress situation, posed by the COVID-19 pandemic, and to provide relief to the affected. On March 27, 2020, since its inception, it collected ₹3,076 crore — including an initial corpus, foreign and domestic contributions, and interest — within the first five days of its existence, before the end of the 2019-20 financial year. During the year, funds were disbursed for COVID vaccine purchase and testing, ventilators, hospitals, testing labs, oxygen generation plants, and migrant welfare as reported by them.

PM Cares Fund received donations from individuals from all walks of life as well as organisations. The Union government has made enabling provisions to provide tax exemption relief to donations (with no cap) made to PM-CARES. Within days of the launch of the Fund, the finance ministry had through an Ordinance amended the provisions of the Income Tax Act to provide 100% tax relief under section 80G to all donations.

Similarly, the Ministry of corporate affairs issued a notification to allow donations to be treated as CSR (corporate social responsibility). The notification stated that "any contribution made by a Company to the PM-CARES Fund shall qualify as

Corporate Social Responsibility or CSR.”. This paved the way for public sector undertakings to make large donations to PM-CARES Fund.

It also got several large foreign donations through FCRA. The union ministry has actively promoted this fund and requested everyone to contribute to the fund. Even though the FCRA Act has been made very stringent to promote transparency and accountability with other registered societies, this Fund has been exempted from its purview. This was done despite PM-CARES being a ‘public charitable trust’ and receiving foreign funds.

Though the Fund is conceived as a public charitable trust and has the PM and other Union ministers as trustees, the Fund is not under the RTI Act. Therefore, it is not mandatory for the trust to reveal any information about it in the public domain. Even after the government is actively promoting contributions to the Fund, it has claimed in the Delhi High Court that it has no control over it and The Fund is a public charitable Trust.

The Prime Minister’s National Disaster Management Fund already exists and the contributions and spending to that fund are always transparent and can be available to any members of Parliament. The facility of getting uncapped corporate donations is not available to the PMNRF or the Chief Minister’s Relief Fund in the states. In fact, the previous CSR guidelines restricted the use of corporate donations to fund government schemes. There is the electoral bonds for such donations. The cap on donations to political parties has also been removed.

On September 23rd, 2022, new trustees have been added to the fund. Till now the government has not responded to any of the RTI queries or disclosed the names or the number of donations it received. It was said the purpose of donations to the fund was to deal with an emergency during the pandemic. However, no such details were available in the public domain.

*Source: www.thewire.in, The Hindu, February 07, 2022, www.taxguru.in*

## Donations to political parties

India is a vibrant democracy with around 2500 registered political parties. As per the rules, any company can donate to a political party duly enlisted under section 29(A) of the Representation of People’s Act (1951), 7.5% of its annual profit to a political party. In 2017, some changes were introduced by the Government of India in the Lok Sabha through amendments to the Finance Bill and the cap has been removed.

As per the new amendment, any Indian company that contributes to a political party or an electoral trust registered in India is eligible for a deduction for the amount paid under section 80GGB. Companies can claim a deduction of 100% of the amount donated by them. This helps lower the total taxable income considerably, thus helping them save tax.
Source: The Hindu, March 23, 2017, *www.life.futuregenerali.in*

## Electoral Bonds

Electoral Bond is a financial instrument for making donations to political parties as has been first pronounced by the finance minister in the Union Budget of 2017-18. The scheme which was notified on January 2nd, 2018, allows individuals (who are citizens of India) and domestic companies to donate these bonds to political parties of their choice, which must redeem by them within 15 days. No limit exists on the number of electoral bonds a person or company can purchase.

But there are certain problems with this investment. Ineligible political parties get money under this scheme. The political parties are not required to maintain the names and addresses of contributions. This infringes the citizen’s “Right to Know.” On the other hand, the government of the day can investigate this data through data from the State Bank of India. There is a fear that this instrument will both endorse and encourage opacity. Various central agencies have also voiced their concerns about these bonds. The number of political parties in India has increased manifold and there are legitimate concerns about transparency versus anonymity, sources of funding, use etc.
*Source: www.adrindia.org*

## FUTURE PERSPECTIVES OF CSR IN INDIA

Corporate Social Responsibility has been defined as the continuous dedication of corporations to the social and economic development of societies in which they operate. The current scope of CSR is defined by the acts of donations and charity (Berad, 2011, p. 1568). In India, the main stated goal of CSR programs has been to formulate specific strategies, policies, and goals for the purposes of maximizing the overall impact of the company on society.

With the incorporation of 'CSR' Provisions in the Companies Act of 2013 and various amendments, Corporate Social Responsibility is set down as a financial output and outcome of profits accrued. It is therefore important to analyse the Business Responsibility Reports (BRR) to understand how 'profits' are made than just looking at how two percent is spent. The first premise of CSR is to 'do no harm' and once this is achieved only then can legitimate corporate citizens render good to the planet and people. Profits that are a result of short-changing either of these 2ps are of no consequence to society.

## ANALYSIS AND AREAS REQUIRING CLARIFICATIONS

- CSR which has largely been a voluntary contribution by corporates has now been included in the law
- There is a debate as to whether any penal consequences will emanate on failure to spend, or an explanation in the directors' report on the reasons, therefore, is only warranted
- There may be reluctance in compliance, especially in the case of companies that are not profitable, but fall under the designated category due to triggering net worth or turnover criteria
- It is not clear what all constitutes CSR activities as the list specified under Schedule VII of the Act seems like an inclusive list and not exhaustive
- The CSR provisions under the 2013 Act require a minimum of 3 directors for the constitution of the CSR committee, clarification is needed as to whether qualifying private companies would be required to appoint a third director to comply with the CSR provisions

# SECTION VII: FUTURE PERSPECTIVES AND CONCLUSIONS

Corporate social responsibility has been around in various guises for a quarter century or more. It continues to evolve as it is debated internationally and advanced by globalisation and technology. In fact, in most developed and developing countries around the world, organisations, think tanks, and activists are working on the issue.

Companies that aspire to be, or are, market leaders are challenged by rising public expectations, increasing innovation, continuous quality improvement, and heightened social and environmental concerns.

They are forced to chart their CSR course within a very complex and dynamic environment where the success of a business is inextricably tied to the welfare and stability of the community. 'People' and 'Planet' have a vital part to play alongside 'Profit.'

This calls for a new corporate logic, in which caring for employees, communities, and the environment is not only seen as morally correct but also the best approach for continuity and profitability. World-class businesses fail because they are unable or unwilling to discard old ways of working and business models when external forces have changed dramatically.

Dr. Jagdish N. Sheth talks about four additional stakeholders today – suppliers and partners, community, governments, and the press and reinforces the notion that companies operate in a "digital fishbowl." At the AIMA Conference in New Delhi in 2009, he presented the 'SPICE model' (society, partners, investors, customers, and employees) and seven ways to reinvent business as below:

- Challenge the shareholder dogma
- Fuse purpose into profit
- Make ordinary people extraordinary
- Become a world-class customer
- Innovate for affordability
- Nurture nature
- Practice a culture of responsibility

## CSR – THE HIDDEN OPPORTUNITY

Why be good? Why does the right thing, especially when so many around you profit by doing wrong or by taking shortcuts? How much am I willing to pay to be good? These are tough questions. However, as companies are more closely integrating their cause agendas into their business strategies, it is paying off. Log on to the website of many Fortune 500 companies and you are likely to find a prominent link to their CSR efforts, with some even launching massive media campaigns promoting their CSR endeavours.

According to the World Economic Forum survey of CEOs and leaders (Voice of the Leaders Survey), corporate brand reputation outranks financial performance as the most important measure of success. Companies with a public commitment to ethics perform better on three out of four financial measures. In fact, close to half of the G250 companies reported gaining financial value from their CSR initiatives reports the 2011 KPMG International survey on Corporate Responsibility Reporting reflects the old adage "what gets measured, gets managed."

## CSR AS A TOOL FOR DERIVING COMPETITIVE ADVANTAGE

Several factors are driving the increased adoption of CSR practices in the corporate sector. Regulation obviously provides the baseline for corporate action, notably for employment practices and the environment. For many companies, being a good corporate citizen is a vital aspect of their identity, values, and vision.

Far-sighted business leaders recognise that it is unsustainable for their companies to exist as 'islands of prosperity' in a sea of poverty. Market forces are also propelling many firms to go 'beyond compliance,' notably for those selling into international supply chains. CSR is emerging as a 'hard' commercial factor, linked directly to profits and brand value. If corporations analyse their opportunities for social responsibility using the same frameworks that guide their core business choices, they discover that CSR returns can be a potent source of innovation and competitive advantage.

Perceiving social responsibility as an opportunity rather than as damage control or a PR campaign requires dramatically different thinking – a new mindset, and leadership that will lead to competitive success. The essential test that should guide CSR is whether it presents an opportunity to create equitable shared value– that is, a meaningful benefit to society and stakeholders that is also valuable to the business.
CSR is not a cost centre but an effective management tool with multi-dimensional benefits. ISO certification experience has also proved the same. CSR offers a new way to look at the relationship between business and society that does not treat corporate growth and social welfare as a zero-sum game. Grounding CSR in the values, purpose, and strategy of the business and treating it in an entrepreneurial fashion is the way forward.

## THE CHALLENGE OF CSR

The underlying challenge for CSR is how to demonstrate a clear link between a company's own commercial objectives and the wider goals of society.

We are familiar with the outlines of a successful company: one that is profitable, productive, with a strong reputation, and efficient in the use of natural resources. Yet, simply achieving these goals may not be enough if profits after tax are not usefully deployed, if employee well-being does not improve, if community programmes do not raise living standards, and if the company's s eco-efficiency fails to sustain the underlying natural resource base. Tokenism and writing cheques are not enough: how profits are made is important before it is given away.

The task is now to apply fundamental business principles to make CSR sharper, smarter, and more focused on what really matters. This means rigorously focusing on priorities, allocating finance for CSR as an investment from which returns are expected, monitoring activities to ensure initiatives really deliver outputs and reporting performance in an open and transparent way.

Leading companies develop a more holistic view of their role in society and assume greater responsibility for their economic, social, and environmental impact on society. This helps to propel them into regular stakeholder engagement and a thorough measurement and management of their triple bottom line.

The operating challenge for companies that embrace a more extensive set of responsibilities is to integrate the efforts and dealings of the different corporate staff groups that handle human resources, government relations, public affairs, health and safety, and environmental and legal matters. This requires a deep understanding of responsibility in a company, a shared perspective on potential harm and benefits produced, and higher levels of transparency about corporate behaviour.

## PRIORITISING

Building on existing good practice, four interlocking priorities for action emerge:

### 1. From philanthropy to social investment

The inadequate social infrastructure in many countries means that corporate funding of community initiatives will remain a critical contribution to national development for years to come. However, a better understanding is needed of the context, needs, and performance of these programmes to allocate their funding appropriately and for their stakeholders – notably affected communities – to have a real influence on decision-making.

In addition, there is a real opportunity for corporate action in this area to move upstream into core operations to make underlying business models 'pro-poor.'

## 2. Sustaining critical natural capital

The natural resource base continues to be depleted through a range of pressures – technological, economic, social, and demographic. The result is often an acute 'resource crunch' leading to conflicts between companies and communities over scarce land, water, or biomass resources, for example. A vital area of corporate commitment – particularly in resource-intensive sectors, such as metals and mining, power, and oil – is to respect local communities and their right to commons and resources that have sustained them over centuries. Companies can strive to be a positive force for development if they give their core strengths to address issues and inequalities, not accentuate them. Clearly, those in conflict with local people cannot survive.

## 3. Ensuring transparency

Without disclosure of performance, there is no basis for evaluating corporate movement towards responsible business practice. Good practice does exist but it is limited. Giving full, accurate information to all stakeholders on products, websites, and in annual reports is important.

## 4. Linking CSR and financial performance

In North America and Europe, socially responsible investment has become an important complement to CSR. In the words of the Association of British Investors, "Incorporating social responsibility can reduce portfolio volatility and increase returns." If CSR is to be pursued on a truly sustainable basis by India Inc., then investors will need to appreciate the linkages with financial performance and understand the challenges of delivering long-term social returns in the context of the ever-shrinking financial horizons.

Opening a dialogue between the business and financial communities on social responsibility is therefore essential, and should help to provide a stronger analytical case for CSR. There is a need to develop a more coherent and ethically-driven discourse on corporate responsibility. CSR is still sometimes seen as 'greenwashing.' It is often seen as old wine in a new bottle – just another trendy name for good old philanthropic initiatives by companies. There is a need to move beyond such transitory illusions about corporate social responsibility, demonstrate commitment and walk the talk.

Next-generation companies are repurposing themselves for a socio-commercial role – often by revisiting corporate values and by learning from other innovators and pioneers. In so doing they are creating a new social contract that positions them alongside, rather than in opposition to, NGOs and government as co-protectors of the environment and co-creators of value for society.

In the decade to come, CSR progress will become increasingly mainstream. The continuum seen today – of companies' differing commitment to significant CSR – will be evident in the future. More strategic, integrated, and 'deep' CSR adherents will emerge over the next decade. One of the most significant trends will be the increasing influence of stakeholders, whether through more stakeholder dialogue or stakeholder campaigns. They will become more strategic and more coordinated, increasingly working together on issues of common concern. Consumers and employees will become more demanding as and when they perceive the connections between corporate behavior and their quality of life. Suppliers will increasingly be pulled into CSR practice as companies, through coercion or choice, integrate CSR throughout their supply chains.

Most governments will require mandatory disclosure of corporate, social, and environmental performance, and will encourage different approaches. The Social Charter in India and the Prime Minister's call for Inclusion and affirmative action are a reminder that much remains to be done. No wonder many business schools have begun to integrate CSR curricula within their business education.

## AFFIRMATIVE ACTION

Affirmative Action for the Scheduled Castes and Scheduled Tribes communities is defined as a voluntary commitment by Indian companies to help the Government and civil society in the national endeavour to ensure equal opportunity for members of the Scheduled Castes and Scheduled Tribes communities. In April 2006, Honourable Prime Minister Dr. Manmohan Singh called on the private sector industry to take affirmative action in education, employment opportunities, and employment for weaker sections. The Confederation of Indian Industry (CII) constituted a task force to examine the modalities for affirmative action, subsequently joined by ASSOCHAM. The Task Force, headed by Dr. J. J. Irani, Director, Tata Sons, brought out its report in July 2006. Entitled 'CII-ASSOCHAM Action Plan: Proposed Concrete Steps by Indian Industry on Affirmative Action for Scheduled Castes and Scheduled Tribes,' the report outlined what the industry could do to deepen the representation of weaker sections in the Indian industry.

# ANNEXURE I

## SOME NOTABLE EXAMPLES OF GOOD PRACTICES BY A FEW COMPANIES ARE NOTED BELOW:

### EICHER MOTORS (INDIA) – A CASE STUDY

Good Practice: In India, Eicher Motors uses its CSR to support sustainable development. Eicher began its schools in rural areas of Uttar Pradesh, long before CSR was implemented by the CSR practice of 2% of profits in the Companies Act of 2013. Eicher while formulating CSR activities tries to ensure that the activities are used for local area development, responsible travel, and road safety. The activities are run through Goodearth Education Foundation. Eicher is an Indian company that manufactures buses in collaboration with Volvo and motorcycles under the brand Royal Enfield.'

Considerations for CSR Practices: Businesses in India can be supported in education via several means. Businesses can support education and be a leading contributor to the improvement of schools, STEM education, teacher training, etc, thereby reducing student drop-out rates. Other than education, Eicher has run programmes for road safety. Traffic compliance, reducing fatal accidents, etc are the core areas they work. They provide training to drivers so that they exhibit modified behaviours on the road.

Apart from this, Eicher has conducted large programmes on holistic mental health and child well-being. Some other initiatives are electrifying villages of Himachal Pradesh, waste management, environmental sustainability, ecological balance, and maintenance of the quality of air water, and soil. Eicher is also known as an ETHICAL COMPANY. Source: www.eicher.in, www.csruniverse.com

### BAJAJ AUTO – A CASE STUDY

The Bajaj Group of Companies, following Gandhiji's principles of trusteeship, has contributed much before it became mandatory in 2013 to projects focussing on skilling and education, health and livelihoods, and water conservation of marginalised communities living in and around the districts where Bajaj Auto's manufacturing plants are located. Water Conservation initiatives were done in 150 villages in Aurangabad, bringing together local non-governmental organisations. The community contributes 10% of the cost and is the caretaker of the structures. Bajaj Auto also supports community-based watershed development initiatives in Rajasthan and a spring shed development in Uttarakhand.

Bajaj Auto has adopted skilling as one of the core CSR focus areas. Bajaj Auto works in collaboration with leading skill universities, technical education facilities, and civil society organisations to enhance the capability of the youth and make them ready for the future. Bajaj Auto partnered with Bharatiya Yuva Shakti Trust (BYST) to run a youth entrepreneurship development programme. Enrolled youth benefitted by starting their enterprises. The company ran a programme for army veterans too to help them start on their own. It runs a few charitable trusts such as Janki Bajaj Gram Vikas Sansthan (JBGVS), Rose Trusts, etc. for charitable purposes.
Source: www.bajajauto.com/corporate/corporate-social-responsibility

### CIPLA INDIA – A CASE STUDY

Cipla Limited, a leading pharmaceutical company in India has won accolades for its philanthropy services over the years. Cipla's CSR work in the community is carried out predominantly through the Cipla Foundation, the philanthropy arm of the Company. The Foundation works with credible institutions, non-government organisations ('NGOs'), government agencies, and domain experts (as permissible under the CSR Rules) to execute their social initiatives. Cipla Cancer and Aids Foundation (CCAF), is established to reduce the overall cancer treatment cost. Through the Cipla Palliative Care and Training Centre, established in 1997 in Pune, the work continues to respond to the needs of patients and families living with cancer. They train healthcare professionals and appoint them to ensure the development of a robust palliative care ecosystem. In the year 2020-21, neonatal palliative care and paediatric palliative care were also started. They run programmes across India and South Africa.

Education is another important area of social work done by Cipla. They work towards creating opportunities in education through digital and e-learning solutions, creating a conducive environment in schools for enhanced learning loss. In the aftermath of COVID-19, many families were left without employment or the means to survive. Through a family assistance programme across Jaipur, Hyderabad, and Lucknow, Cipla supported 300-plus families to set up small-scale businesses. This support helped with continued income and ensured the fulfilment of their basic needs including health. Under this programme, we also trained 400-plus youth of which 200 were employed.

During the pandemic, Cipla supported the designing of low-cost, scientifically validated face masks through a unique collaboration with CSIR- – IICT. The project helps to create access to affordable face masks for community members for preventing infections. The project also created much-needed livelihood opportunities for self-help groups of women from low-income communities. Cipla also works extensively in water conservation, waste management energy conservation, and environmental issues. The company has worked extensively in COVID times for relief to the poor and marginalised.
Source: *www.cipla.com/csr/cipla-foundation*

## FORBES MARSHALL CSR INITIATIVES - A CASE STUDY

Forbes Marshall India believes in impacting society positively. Forbes Marshall focuses on tackling issues in education, building resilience in communities, and supporting good governance. Forbes partners with local organisations that focus on education for children, skilling for youth, and mobilising women through self-help groups that enable them to earn.

Girls' education has always been a priority for the company. By 2017, the company started working with communities living in Chakan Villages. They also provide health care for families to ensure long-term wellness. The primary focus area is Pune and Khed Thaluka in Maharashtra but also supports organisations pan India. Shehernaz Medical Centre has developed into a secondary care hospital with super specialty facilities. The p Prime focus is on maternal and child health.

Women empowerment is another core area of the company's CSR. The c Company taught vocational skills to poor women under their Umang Programme. Some of the women were employed by the company and some started their own small enterprises.
Source: *www.socialinitiatives.forbesmarshall.com*

***The future of corporate responsibility and accountability lies in the hands of the community, public and civil society organisations and their changing expectations, and the vision and leadership of the corporate sector and government that can create both an enabling environment and a strong regularity framework. We have just one life and one planet to safeguard, protect and nurture. It is worth the effort.***

## ANNEXURE: COMPARISON BETWEEN FOUR TOOLS ON CSR

| CSR ISSUES REFERENCED | UN Global Compact | OECD Guidelines for MNCs | SA 8000 | Global Reporting Initiative |
|---|---|---|---|---|
| **Business Conduct** | | | | |
| General CSR | | | | |
| Compliance with law | | | | |
| Corruption & Bribery | | | | |
| **Community Involvement** | | | | |
| Community economic development | | | | |
| Employment of local workers | | | | |
| Corporate Governance | | | | |
| Broad / General reference | | | | |
| **Human Rights** | | | | |
| Broad / General reference | | | | |
| Health & Safety | | | | |
| Child labour | | | | |
| Forced labour | | | | |
| Freedom of association / collective bargaining | | | | |
| Wages & benefits | | | | |
| Working hours / overtime | | | | |
| **Environment** | | | | |
| Broad / General reference | | | | |
| Accountability | | | | |
| Transparency | | | | |
| Stakeholders Engagement | | | | |
| **Reporting** | | | | |
| Performance related to standard | | | | |
| Environmental performance | | | | |
| Human rights issues | | | | |
| **Workplace / Employees** | | | | |
| Non discrimination | | | | |
| Training | | | | |

**Source: Guiding Tools for Nepalese Businesses on Corporate Social Responsibility (www.oecd.org)**

**CIRCULAR**

CIR/CFD/DIL/8/2012

August 13, 2012

To
All Stock Exchanges

Dear Sir/Madam,

**Sub: <u>Business Responsibility Reports</u>**

1. At a time and age when enterprises are increasingly seen as critical components of the social system, they are accountable not merely to their shareholders from a revenue and profitability perspective but also to the larger society which is also its stakeholder. Hence, the adoption of responsible business practices in the interest of the social set -up and the environment is as vital as their financial and operational performance. This is all the more relevant for listed entities which, considering the fact that they have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive continuous disclosures on a regular basis.

2. Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain comprehensive principles to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles.

3. In line with the above Guidelines and considering the larger interest of public disclosure regarding steps taken by listed entities from an Environmental, Social, and Governance (“ESG”) perspective, it has been decided to mandate the inclusion of Business Responsibility Reports (“BR reports”) as part of the Annual Reports for listed entities. Therefore, in line with the objective to enhance the quality of disclosures made by listed entities, certain listing conditions are hereby specified by way of inserting Clause 55 in the equity Listing Agreement as given in Annexure-1.

4. Certain key principles to assess the fulfilment of listed entities and a description of the core elements under these principles are detailed in <u>Annexure-2</u>.

5. **Applicability**

   a. The requirement to include BR Reports as part of the Annual Reports shall be mandatory for the top 100 listed entities based on market capitalisation at BSE and NSE as on March 31, 2012. BSE and NSE shall independently draw up a list of listed entities to whom the circular would be applicable based on the said criteria and disseminate the same on their websites respectively. Other listed entities may voluntarily disclose BR Reports as part of their Annual Reports.

      Those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with the details of the framework under which their BR Report has been prepared and a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports.

b. The provisions of this circular shall be applicable with effect from the financial year ending on or after December 31, 2012. However, listed entities who are yet to submit their Annual Reports for the financial year that ended on March 31, 2012, may also include BR Reports as part of their Annual Reports on a voluntary basis

6. The above listing conditions are specified in the exercise of the powers conferred under Section 11 read with Section 11A of the Securities and Exchange Board of India Act, 1992. The said listing conditions should form part of the existing Listing Agreement of the stock exchange.

7. All stock exchanges are advised to ensure compliance with this circular and carry out the amendments in their Listing Agreement as per the Annexure to this circular.

8. This circular is available on the SEBI website at www.sebi.gov.in under the categories "Legal Framework" and "Issues and Listing".

Yours faithfully,

**Sunil Kadam General Manager**
**+91-22-26449630**
**sunilk@sebi.gov.in**

<u>**Amendments to Listing Agreement**</u>

1. A new Clause 55 shall be inserted to read as under, viz.,

*"Listed entities shall submit, as part of their Annual Reports, Business Responsibility Reports, describing the initiatives taken by them from an environmental, social and governance perspective, in the format suggested as under*

**Business Responsibility Report – Suggested Framework**

**Section A: General Information about the Company**

1. Corporate Identity Number (CIN) of the Company
2. Name of the Company
3. Registered address
4. Website
5. E-mail id
6. Financial Year reported
7. Sector(s) that the Company is engaged in (industrial activity code-wise)
8. List three key products/services that the Company manufactures/provides (as in the balance sheet)
9. A total number of locations where business activity is undertaken by the Company
    i. Number of International Locations (Provide details of major 5)
    ii. Number of National Locations
10. Markets served by the Company – Local/State/National/International/

**Section B: Financial Details of the Company**

1. Paid up Capital (INR)

2. Total Turnover (INR)

3. Total profit after taxes (INR)

4. Total Spending on Corporate Social Responsibility (CSR) as a percentage of profit after tax (%)

5. List of activities in which expenditure in 4 above has been incurred: -

    a.

    b.

**Section C: Other Details**

1. Does the Company have any Subsidiary Company/ Companies?

2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)

3. Do any other entity/entities (e.g., suppliers, distributors, etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

## Section D: BR Information

1. **Details of Director/Directors responsible for BR**

a) Details of the Director/Director responsible for the implementation of the BR policy/policies

- DIN Number
- Name
- Designation

b) Details of the BR head

| S.No. | Particulars | Details |
|---|---|---|
| 1. | DIN Number (if applicable) | |
| 2. | Name | |
| 3. | Designation | |
| 4. | Telephone number | |
| 5. | e-mail id | |

2. **Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)**

| S.No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Do you have a policy/policy for.... | | | | | | | | | |
| 2. | Has the policy been formulated in consultation with the relevant stakeholders? | | | | | | | | | |
| 3. | Does the policy conform to any national /International standards? If yes, specify? (50 words) | | | | | | | | | |
| 4. | Has the policy been approved by the board? | | | | | | | | | |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | If yes, has it been signed by MD/owner/CEO/appropriate Board Director? | | | | | | | | | |
| 5. | Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy? | | | | | | | | | |
| 6. | Indicate the link for the policy to be viewed online? | | | | | | | | | |
| 7. | Has the policy been formally communicated to all relevant internal and external stakeholders? | | | | | | | | | |
| 8. | Does the company have an in-house structure to implement the policy/policies? | | | | | | | | | |
| 9. | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | | | | | | | | | |
| 10. | Has the company carried out an independent audit/evaluation of the working of this policy by an internal or external agency? | | | | | | | | | |

2a. **If the answer to S.No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

| S.No. | Questions | P 1 | P 2 | P 3 | P 4 | P 5 | P 6 | P 7 | P 8 | P 9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | The company has not understood the Principles | | | | | | | | | |
| 2. | The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified Principles | | | | | | | | | |
| 3. | The company does not have financial or manpower resources available for the Task | | | | | | | | | |
| 4. | It is planned to be done within the next 6 Months | | | | | | | | | |
| 5. | It is planned to be done within the next 1 Year | | | | | | | | | |
| 6. | Any other reason (please specify) | | | | | | | | | |

3. **Governance related to BR**

- Indicate the frequency with which the Board of Directors, Committee of the Board, or CEO assesses the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

## Section E: Principle-wise performance

**Principle 1**

1. Does the policy relating to ethics, bribery, and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?
2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? *If so, provide details thereof, in about 50 words or so.*

**Principle 2**

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks, and/or opportunities.

i.

ii.

iii.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material, etc.) per unit of product(optional):

i. Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year?

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

If yes, what percentage of your inputs were sourced sustainably? *Also, provide details thereof, in about 50 words or so.*

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

If yes, what steps have been taken to improve the capacity and capability of local and small vendors?

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%)? Also, provide details thereof, in about 50 words or so.

**Principle 3**

1. Please indicate the Total number of employees.
2. Please indicate the Total number of employees hired on a temporary/contractual/casual basis.
3. Please indicate the number of permanent women employees.
4. Please indicate the number of permanent employees with disabilities
5. Do you have an employee association that is recognized by management?
6. What percentage of your permanent employees are members of this recognized employee association?
7. Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, and sexual harassment in the last financial year and pending, as of the end of the financial year.

| **S.No.** | **Category** | **No of complaints filed during the financial year** | **No of complaints pending as of the end of the financial year** |
|---|---|---|---|
| 1. | Child labour/forced labour/involuntary labour | | |
| 2. | Sexual harassment | | |
| 3. | Discriminatory employment | | |

8. What percentage of your under-mentioned employees were given safety & skill up-gradation training in the last year?

    - Permanent Employees
    - Permanent Women Employees
    - Casual/Temporary/Contractual Employees
    - Employees with Disabilities

**Principle 4**

1. Has the company mapped its internal and external stakeholders? Yes/No
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable, and marginalized stakeholders? If so, provide details thereof, in about 50 words or so.

**Principle 5**

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?
2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

**Principle 6**

1. Does the policy relate to Principle 6 cover only the company or extends to the Group/Joint

Ventures/Suppliers/Contractors/NGOs/other?
2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give a hyperlink for the webpage, etc.
3. Does the company identify and assess potential environmental risks? Y/N
4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if yes, whether any environmental compliance report is filed?
5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc? Y/N. If yes, please give a hyperlink for the web page, etc.
6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?
7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as of the end of the Financial Year.

**Principle 7**

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

    a.
    b.
    c.

Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

**Principle 8**

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.
2. Are the programmes/projects undertaken through an in-house team/own foundation/external NGO/government structures/any other organization?
3. Have you done any impact assessment of your initiative?
4. What are your company's direct contributions to community development projects-Amount in INR and what are the details of the projects undertaken?
5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

**Principle 9**

1. What percentage of customer complaints/consumer cases are pending as of the end of the financial year?
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising, and/or anti-competitive behaviour during the last five years and pending as of the end of the financial year? If so, provide details thereof, in about 50 words or so.
4. Did your company carry out any consumer survey/ consumer satisfaction trends?

## Annexure-2

### Principles to assess compliance with Environmental, Social, and Governance norms

**Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency, and Accountability**

1. Businesses should develop governance structures, procedures, and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain. Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders.
2. Businesses should not engage in practices that are abusive, corrupt, or anti-competition.
3. Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.
4. Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.
5. Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines

**Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle**

1. Businesses should assure safety and optimal resource use over the life-cycle of the product – from design to disposal – and ensure that everyone connected with it-designers, producers, value chain members, customers, and recyclers are aware of their responsibilities.
2. Businesses should raise the consumer's awareness of their rights through education, product labeling, appropriate and helpful marketing communication, full details of contents and composition, and promotion of safe usage and disposal of their products and services.
3. In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.
4. Businesses should regularly review and improve upon the process of new technology development, deployment, and commercialization, incorporating social, ethical, and environmental considerations.
5. Businesses should recognize and respect the rights of people who may be owners of traditional knowledge and other forms of intellectual property.
6. Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.

**Principle 3: Businesses should promote the well-being of all employees**

1. Businesses should respect the right to freedom of association, participation, and collective bargaining, and provide access to appropriate grievance Redressal mechanisms.
2. Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability, or sexual orientation.
3. Businesses should not use child labour, forced labour, or any form of involuntary labour, paid or unpaid.
4. Businesses should take cognizance of the work-life balance of their employees, especially that of women.
5. Businesses should provide facilities for the well-being of their employees including those with special needs. They should ensure timely payment of fair living wages to meet the basic needs and economic security of the employees
6. Businesses should provide a workplace environment that is safe, hygienic humane, and which upholds the dignity of the employees. Businesses should communicate this provision to their employees and train them on a regular basis.
7. Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.
8. Businesses should create systems and practices to ensure a harassment-free workplace where employees feel safe and secure in discharging their responsibilities.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable, and marginalized.**

1. Businesses should systematically identify their stakeholders, understand their concerns, define the purpose and scope of engagement, and commit to engaging with them.
2. Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services, and associated operations on the stakeholders.
3. Businesses should give special attention to stakeholders in areas that are underdeveloped.
4. Businesses should resolve differences with stakeholders in a just, fair, and equitable manner

**Principle 5: Businesses should respect and promote human rights**

1. Businesses should understand the human rights content of the Constitution of India, national laws and policies, and the content of the International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible, and interdependent in nature.
2. Businesses should integrate respect for human rights in management systems, through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have
3. access to grievance mechanisms.
4. Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers, and vulnerable and marginalized groups.
5. Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain.
6. Businesses should not be complicit with human rights abuses by a third party.

**Principle 6: Businesses should respect, protect, and make efforts to restore the environment**

1. Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling, and managing waste.
2. Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to the public interest.
3. Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.
4. Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting the use of energy-efficient and environment-friendly technologies, and use of renewable energy.
5. Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating, and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain.
6. Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.
7. Businesses should proactively persuade and support their value chain to adopt this principle.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

1. Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.
2. To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy.

**Principle 8: Businesses should support inclusive growth and equitable development**

1. Businesses should understand their impact on social and economic development, and respond through appropriate action to minimise the negative impacts.
2. Businesses should innovate and invest in products, technologies and processes that promote the well-being of society.
3. Businesses should make efforts to complement and support the development priorities at local and national

levels and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.

4. Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

1. Businesses, while serving the needs of their customers, should consider the overall well-being of the customers and that of society.
2. Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting, and selling their products.
3. Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society, and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services.
4. Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.
5. Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.
6. Businesses should provide adequate grievance-handling mechanisms to address customer concerns and feedback.

MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION
New Delhi, the 27th February, 2014

G.S.R, 130(E). -In exercise of the powers conferred by sub-section (l) of section 467 of the Companies Act, 20l3 (18 of 2013), the Central Government hereby makes the following amendments to Schedule Vll of the said Act, namely: -

(i) In Schedule VIl, for items (i) to (x) and the Ent es relating thereto, the following items and entries shall be substituted, namely: -

(ii) Eradicating hunger, poverty, and malnutrition, promoting preventive health care and sanitation and making available safe drinking water:

(iii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;

(iv) promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;

(v) 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;

(vi) Protection of national heritage, alt and culture including restoration of buildings and sites of Historical importance and works of art; setting up public libraries; promotion and development of Traditional 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 P me Minister's National Relief Fund or any other fund setup by the Central Government for socio-economic development and relief and welfare of the Scheduled Caste, 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."

2. This notification shall come into force with effect from lst April. 2014.
if. No. l/l8A/2013-CL-V]
RENUKA KUMAR. Jt. Secv.

**MINISTRY OF CORPORATE AFFAIRS**

**NOTIFICATION**

**New Delhi, the 19th January, 2015**

**G.S.R. 43(E) —** In exercise of the powers conferred under section 135 and sub-sections (1) and (2) of Section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:—

2 (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2015.

b. They shall come into force on the date of their publication in the Official Gazette.

3 In the Companies (Corporate Social Responsibility Policy) Rules, 2014, in rule 4, in sub-rule (2),—

for the words "established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise", the words "established under section 8 of the Act by the company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company, or otherwise" shall be substituted;

(ii) in the proviso, in clause (i), for the words "not established by the company or its holding or subsidiary or associate company, it", the words "not established by the company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company" shall be substituted.

[F. No. 1/18/2013-CL-V-Part]

AMARDEEP SINGH BHATIA, Jt. Secy.

**Note.—**the principal rules were published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 129(E), dated the 27th February, 2014 and was subsequently amended by notification number G.S.R. 644(E), dated the 12th September 2014.

**F.No.05/09/2014-CSR**
**Government of India**
**Ministry of Corporate Affairs**

**5th floor, 'A' wing, Shastri Bhawan**
**Dr. R.P. Road, New Delhi – 110001.**
**Dated: 03.02.2015**

**OFFICE MEMORANDUM**

**Subject: Constitution of a High-Level Committee to suggest measures for improved monitoring of the implementation of Corporate Social Responsibility policies by the companies under Section 135 of the Companies Act, 2013.**

Undersigned has been directed to state that a High-Level Committee has been constituted under the Chairmanship of Shri Anil Baijal, Former Secretary, Govt. of India to suggest measures for monitoring the progress of implementation of Corporate Social Responsibility (CSR) policies by companies at their level and by the Government under the provisions of Section 135 of the Companies Act, 2013 and Rules thereunder.

2. The composition of the High-Level Committee is as under:

| Sr. | Name | Role |
|---|---|---|
| i. | Shri Anil Baijal<br>Former Secretary to Govt. of India | Chairperson |
| ii. | Prof. Deepak Nayyar<br>Professor (Emeritus), Jawaharlal Nehru University, New Delhi | Member |
| iii. | Shri Onkar S Kanwar<br>Chairman & Managing Director, Apollo Tyres Ltd. | Member |
| iv. | Shri Kiran Karnik<br>Former President-NASSCOMM, New Delhi | Member |
| v. | Secretary, Department of Public Enterprises (Represented by an officer, not below the rank of Joint Secretary) | Member |
| vi. | Additional Secretary (*)<br>Ministry of Corporate Affairs | Member-Convener |

(*) Economic Adviser, MCA will discharge the responsibility in the absence of Additional Secretary, MCA.

3. Terms of Reference of the Committee are as under:
(i) To recommend suitable methodologies for monitoring compliance of the provisions of Section 135 (Corporate Social Responsibility) of the Companies Act, 2013 by the companies covered thereunder.
(ii) To suggest measures to be recommended by the Government for adoption by the companies for systematic monitoring and evaluation of their own CSR initiatives.
(iii) To identify strategies for monitoring and evaluation of CSR initiatives through expert agencies and institutions to facilitate adequate feedback to the Government concerning the efficacy of CSR expenditure and quality of compliance by the companies.
(iv) To examine if a different monitoring mechanism is warranted for Government Companies undertaking CSR, and if so to make suitable recommendations on this behalf.
(v) Any other matter incidental to the above or connected thereto.

4. The Committee shall submit its report within Six months from the date of holding its first meeting.

5. Ministry of Corporate Affairs and the Indian Institute of Corporate Affairs (IICA) shall jointly provide secretarial and technical support to the Committee. The Indian Institute of Corporate Affairs will render the necessary logistic support to the High-Level Committee.

6. This issue with the approval of the Hon'ble Union Minister for Corporate Affairs.

**(Dr. Pankaj Srivastava)**
**Director**
**Telephone: 011-23389263**
**E-mail: pankaj.srivastava@gov.in**

To
1) Shri Anil Baijal, Former Secretary to Govt. of India, New Delhi
2) Prof. Deepak Nayyar, Professor (Emeritus), Jawaharlal Nehru University, New Delhi
3) Shri Kiran Karnik, Former President (NASSCOMM), New Delhi
4) Shri Onkar S Kanwar, Chairman & Managing Director, Apollo Tyres Ltd
5) Secretary, DPE, M/o Heavy Industries and Public Enterprises

Copy to
1) DG & CEO, IICA for information and necessary action

Copy for information to
1) PS to Hon'ble Minister of Corporate Affairs
2) PPS to Secretary/ PPS to Special Secretary, MCA
3) PS to JS(M)/JS (ADM)/JS(B)/ JS(SP)/EA/DII(NS)/DII(SBG)
4) All Regional Directors/ Registrar of Companies, MCA

## NOTES

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9 OECD member countries are Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States. Non-OECD countries that adhere to the OECD Guidelines for MNEs are Argentina, Brazil, Colombia, Costa Rica, Egypt, Jordan, Latvia, Lithuania, Morocco, Peru, Romania, and Tunisia.

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18 The following countries abstained from voting: Algeria, Australia, Austria, Bangladesh, Germany, Hungary, Iceland, Iran, New Zealand, Former Yugoslav Republic of Macedonia, and Vietnam.

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40 Various cases of misuse of ISO 26000 are collected on the following website: http://www.26k-estimation. com/. See the section ‘Misconceptions and misuse at http://www.26k-estimation.com/html/misconceptions_and_misuse.html.
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BUSINESS & COMMUNITY FOUNDATION

## ABOUT THE PRIMER

The Primer is a basic guide to corporate social responsibility. It outlines the philosophy, genesis, evolution, scope, framework, theories, models, standards, drivers of CSR, business case, and future perspectives. The primer serves as a ready reference and guide for managers and practitioners of CSR.

## ABOUT THE BUSINESS & COMMUNITY FOUNDATION (BCF)

The Business & Community Foundation (BCF) is a non-profit civil society organisation registered in 1998 under the Societies Registration Act 1860. BCF is an independent civil society organisation with a diverse Board, and an interface with the private, and public sectors, and civil society organisations. It works to identify core development priorities in the country that concern the most vulnerable and works to address these issues within its sphere of influence, assists in thought leadership on issues around responsible practices, and works for accountability.

The activities of BCF presently include education, public discourses, training, and distance learning programmes in CSR issues, accompanying projects on the ground in nine states of India, award assessment, and a flagship CSR MDP course with the Indian Institute of Foreign Trade. In addition, it works with faculty and business schools to train future managers. It has established Knowledge Resource Centres (KRCs) on CSR in partnership in the north, south, and west of India. BCF is a member of Corporate Responsibility Watch (CRW) and is also represented on the board of the Centre for Responsible Business (CRB).

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