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CORPORATE SOCIAL RESPONSIBILITY

UNIT I

Concept and meaning of corporate social responsibility (CSR):

Meaning and definition of CSR– Evolution of CSR – CSR in Indian legislation from global perspective- principles of CSR – Theories of CSR- CSR and sustainable development goals. CSR and corporate governance – Drivers of CSR – concept of charity – corporate citizenship- corporate philanthropy.

UNIT I

Meaning of CSR

Corporate Social Responsibility (CSR) is a mechanism by which companies hold themselves to a set of legal, ethical, social and ecological standards. It is a form of business self-regulation that has developed alongside greater public awareness of ethical and environmental issues.

Corporate Social Responsibility (CSR) refers to transparent business practices that are based on ethical values, and respect for people, communities, and the environment While there is no universally accepted definition of the term, United Nations Industrial Development Organisation (UNIDO) defines CSR as a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders.

The basic question which CSR answers is the ways in which companies can contribute towards a better society through good business practices. CSR is about how companies make profit in a sustainable environment rather than how they spend it. As more and more companies are realizing the relevance of moral practices in their businesses, CSR is adding new dimensions to its definition by adapting to different cultures, communities and countries.

The first-generation CSR was about philanthropic ways of making use of profit, second was to minimizing negative impacts of companies' operations and currently the third generation CSR is evolving with social, ecological and economical factors being a starting point of the business activity rather than the end. The emerging concept of CSR has gone beyond charity and is becoming more about capacity building for sustainable livelihoods which means creating shared values for business and society.

At the time when resources are becoming scarce and population is increasing the major challenge being faced by people, governments and businesses is to find more sustainable forms of possible growth. For this purpose, CSR can also be looked at as a catalyst for development of risk and compliance management. It acts not only as the repair system of corporate economy but also as a systematic change of market economy. What is required is stronger integrated perspective based on the system of moral values which are closely related to the company's core strategy. It takes appropriate organised structures and also employees with utmost integrity to truly realize CSR. Therefore, it becomes a matter of individual and institutional ethics.

CSR if treated as an integral part of the company's core business could enhance the competitiveness of business, increase efficiency of human resources, improve brand image and reputation, strengthen customer loyalty and maximise value of wealth creation to the society.

European Union's Official Definition of CSR

The European Union, in an attempt to offer a framework for companies wishing to invest in sustainable development, published in 2001 a Green Paper on Corporate Social Responsibility defining CSR as:

"The voluntary integration of companies' social and ecological concerns into their business activities and their relationships with their stakeholders. Being socially responsible means not only fully satisfying the applicable legal obligations but also going beyond and investing more in human capital, the environment, and stakeholder relations."

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

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

Generally, CSR is understood to be the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth and improve society.

EVOLUTION OF CSR IN INDIA

CSR is the process by which an organization thinks about and evolves its relationships with stakeholders for the common good, and demonstrates its commitment in this regard by adoption of appropriate business processes and strategies. Thus CSR is not charity or mere donations.

India being a land of ethics has the richest tradition of CSR as compared to other countries. It has made CSR an essential part of the business curriculum but yet in needs to be spread more widely across the nation. This goal can only be achieved if company's adopt productive measures, have clear objectives and undertake potential investments. As CSR has been an old concept, we have 4 phases of CSR in India as per the historical data analysed on CSR.

In the initial phase of CSR Charity and philanthropy were the main key points of CSR measures. In 18th century influential merchant's use to build temples and distribute food for those who couldn't afford it, also big firms like TATA, Birla in 19th century took this forward without having any self-interest.

Second phase of CSR came in action at the time of independence. Our country was facing stress and Indian Industrialists also were asked to demonstrate their dedication towards the progress of the society. At this point Mahatma Gandhi introduced a notion of "trusteeship", according to which the industrialists had to manage their wealth in order to benefit the common man. Gandhi represented India industries as the temple of modern India and they built educational institutions to take the country forward.

In the third phase of CSR which accursed after independence, impacted the Mixed economy badly. Private sector in the country was given a backseat and the major control of economic and social development was forwarded in the hands of the public sector. The public sector undertaking ensured that the necessary resources are distributed equally among the entire population.

Current phase of CSR in India which began in 1980's changed the traditional CSR approach towards development. Globalization and economic liberalisation gave an excellent boast to the Indian economy. It helped Indian firms to grow rapidly and also made them meet the compliance set as per the international standards.

Challenges Faced in the Evolution of Corporate Social Responsibility

1. **Lack of Community Participation in CSR Activities:**

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instil confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

2. Need to Build Local Capacities:

There is a need for capacity building of the local non-governmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

3. Issues of Transparency:

Lack of transparency is one of the key issues brought forth by the survey. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. This reported lack of transparency which negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

4. Non-availability of Well Organized Non-Governmental Organizations:

It is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also serves as a challenge for investing in local communities by way of building their capacities to undertake development projects at local levels.

5. Visibility Factor:

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs in the process, they often miss out on meaningful grassroots interventions.

6. Narrow Perception towards CSR Initiatives:

Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities in medium and long run.

7. Non-availability of Clear CSR Guidelines:

There are no clear-cut statutory guidelines or policy directives to give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

8. Lack of Consensus on Implementing CSR Issues:

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company‘s abilities to undertake impact assessment of their initiatives from time to time.

The Group’s corporate social responsibility principles are prepared in light of the United Nations Global Compact principles for corporate social responsibility in the business community, and general Norwegian corporate social responsibility standards.

LEGISLATION OF CSR

1. Companies’ Act 2013, section 135 (1),

   Every Company having Net worth of Rs 500 crore or more, or Turnover of Rs 1000 crore or more, or Net Profit f Rs 5 crore or more during any financial year shall constitute a CSR Committee of the Board consisting of three or more directors, out of which one shall be independent director. Boards Report shall disclose the composition of CSR Committee.

2. Companies’ Act 2013, section 135

   Functions of CSR Committee CSR Committee shall –

i. Formulate and recommend to Board, the CSR policy of the company which shall indicate the activities to be undertaken by company as specified in Schedule VII

ii Recommend the amount of expenditure to be incurred on the activities described in the CSR policy

iii Monitor the CSR Policy from time to time.

3. Companies' Act 2013, section 135

    Functions of Board of Company – Board of every company referred in sub-section (1) shall after taking into account the recommendations of CSR Committee, approve the CSR policy and disclose the contents of such policy in its report and also place it on company's website, if any in such manner as may be prescribed.

    Ensure that the activities as are included in CSR Policy of the company are undertaken by the company

4. Companies' Act 2013, section 135

    The Board of ever company referred in sub-section (1), shall ensure that the company spends, in every financial year, at least 2% of average net profit of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy.

    Provided the preference shall be given to local areas.

    Provided that if company fails to spend such amount, the board shall, in its report made under clause (0) of section 134, specify the reason for not spending the amount.

5. Companies' Act 2013, section 135- Remarks
    - IICA (Indian Institute of Corporate Affairs) has listed sixteen thousand companies which come in this CSR ambit.
    - Constitution of CSR Committee is mandatory.
    - CSR Committee constituted before 1st April 2014 will be null.
    - CSR Committee must be constituted by resolution of the Board.
    - Details of the committee members must be revealed in public domain viz. company's website
    - Companies have to prepare their CSR policy document and should publish it in its website.
6. Companies' Act 2013, section 135- Remarks

- Act provides the flexibility to change the policies amid the financial year provided if it is approved by the Board.
- Failing to comply with own CSR policy may result into punishment which may be monetary or imprisonment.
- Company should design their CSR Policy very cleverly and avoid setting unrealistic targets or including too many activities which they cannot complete.
- 5 % of total CSR expenditure can be spent by Companies for building CSR capacity of their own personnel as well as those of their implementing agencies.
- Earmarked amount should be spent in the same FY, carry forward is not available.

7. Companies' Act 2013, section 135- Remarks

   CSR should be taken up in Project/ Programme mode only.

   - Expenses incurred by companies for the fulfilment of any Act/Statute of regulations (such as Labour Laws, land Acquisition Act. Etc) would not count as CSR expenditure.
   - Salary paid to regular CSR staff as well as employee volunteer (in terms of hour/ wages) can be factored into CSR expenditure.

8. Activities Listed in Schedule VII

   Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water, Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects. 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.

9. Activities Listed in Schedule VII

Measures for the benefit of armed forces veterans, war widows and their dependents, Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts, 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.

GLOBAL PERSPECTIVES

Corporate Social Responsibility – Global Perspectives

The topic of social responsibility has emerged as such a critical one for global business too. Afshar pour (2011) relates that corporate social responsibility (CSR) “debates are not just occurring in developed economies. Countries around the world are engaging in rich and nuanced debates, and undertaking significant reforms in the corporate governance and CSR arenas” Mickels (2009) adds that “directors all over the world are questioning whether corporations should exist solely to maximize shareholder profit”

The prevalence of corporate social responsibility (CSR) on a global basis has been illustrated by a survey conducted by the Society of Human Resource Management (SHRM) in 2007 (Workplace Visions, 2007). SHRM found that a majority of Human Resource professionals in the countries surveyed (United States, Australia, India, China, Canada, Mexico, and Brazil) reported that their organizations had corporate social responsibility practices in place. SHRM put forth a number of reasons for the extent of corporate social responsibility. First, companies realize that they need to respond to large scale social problems before they become a threat to business. Second, on a more positive note, SHRM contends that solutions to major social problems can increasingly be viewed as new sources of business opportunities. That is providing goods and services to the people of developing nations may be a way to enter into potentially vast markets of consumers. Similarly “going green” and investing in environmentally “friendly” technology may be a way for companies to initially establish themselves in potentially highly profitable energy sectors. Two illustrations related by SHRM would be the success of Toyota with the hybrid car and Nokia’s and Ericsson’s efforts to bring mobile communications technology to the developing world.

Corporate social responsibility, SHRM thus concludes, is an active and essential component of creating competitive advantage and thereby promoting value creation for the firm and its stakeholders. Another example would be the Coca-Cola’s company’s efforts to provide clean water to different parts of the developing world, which Coke also hopes to promote goodwill, boost local economies, and broaden its customer base. Royal Caribbean Cruise Company is teaming up with a Haitian non-profit organization to build a primary school, which is located on land the company leases from the government as a stop for its ships in the port town of Labadee .Wal-Mart is now selling online handicrafts made by women artisans in developing countries, such as dresses made in Kenya and jewellery from Guatemala and Thailand. “For transnational corporations doing business in developed countries, sustainability may require investment in community-level infrastructure development projects, technological innovation, education, and health care. As these investments lead to greater productivity and better product quality, workers and producers can earn higher incomes, allowing the local population to enjoy a higher standard of living” two excellent examples of global “sustainable” CSR:

1) The Norwegian company, Yara International, the world’s largest chemical fertilizer company, has sponsored public/private partnerships to develop storage, transportation, and port facilities in parts of Africa with significant untapped agricultural potential, thereby developing local agriculture, providing jobs and improved incomes for farmers, and at the same time benefiting the company through an increased demand for its fertilizer products.

2) The Nestle Company is working to improve milk production in certain regions of India, by investing in well drilling, refrigeration, veterinary medicine, and training, thereby significantly increasing output and enhancing product quality, certainly beneficial to the company, and at the same time allowing the company to pay higher prices for farmers and their employees, resulting in a higher standard of living for the local community. The United Nations now has a business initiative on corporate social responsibility, called the United Nations Global Compact, whereby companies can join and thus voluntarily agree to make improvements in human rights, labour, the environment, and combating corruption. The World Bank, moreover, now has an Internet course on social responsibility, called “CSR and Sustainable Competitiveness,” offered by its educational and training division, the World Bank Institute. The corporate social responsibility course is designed for “high-level” private sector managers, government officials and regulators, practitioners, academics, and journalists. One major purpose of the course is to provide a “conceptual framework” for improving the business environment to support social responsibility efforts and practices by corporations and business.

The course is also designed to assist companies to formulate a social responsibility strategy based on “integrity and sound values” as well as one with a long-term perspective. By being socially responsible, declares the World Bank, businesses not only will accrue benefits, but also civil society as a whole will benefit from the “positive contributions” of business to society. First and foremost, as the World Bank points out, correctly so, there is no single, commonly accepted, definition of the critical term “CSR.” Nonetheless, the World Bank offers its definition, stating that CSR generally refers to:

1) “a collection of policies and practices linked to the relationship with key stakeholders, values, compliance with legal requirements, and respect for people, communities and the environment; and

2) the commitment of business to contribute to sustainable development.”

The World Bank also explains the key term "Corporate Citizenship," which is "the concept of the corporation as a citizen" and which is a term often used when referring to CSR. As a matter of fact, the World Bank notes, again quite correctly, that the terms "CSR" and "Corporate Citizenship" are at times used interchangeably. The World Bank, moreover, in order to fully explicate CSR, indicates several material components to that concept, :

1) Environmental protection,
2) Labour security,
3) Human rights,
4) Community involvement
5) Business standards,
6) Marketplace,
7) Enterprise and economic development,
8) Health protection,
9) Education and leadership National and Global Perspectives of Corporate Social Responsibility

. The World Bank also offers several decision-making frameworks for companies to plan, implement, and measure CSR. An important part of the World Bank course is a segment, eminently practical for business, called "Benefits of CSR." There are, according to the World Bank, "many reasons why it pays for companies, both big businesses and small and medium enterprises…to be socially responsible and be conscious about the interest of key stakeholders." The Bank pointed to a survey conducted by its Institute that indicated that 52% of its respondents had either "rewarded" or "punished" businesses by either buying or not buying their products based on the perceived social responsibility performance of the companies. Other reasons for being a socially responsible firm are, according to the Bank, as follows:

1) obtaining a "social license" to operate from key stakeholders,

2) ensuring "sustainable competitiveness,

3) creating new business opportunities,

4) attracting and retaining quality investors and business partners,

5) securing cooperation from local communities,

6) avoiding difficulties due to socially irresponsible behavior,

7) obtaining government support, and

8) building “political capital.”

These reasons make the “business” for being socially responsible company.

PRINCIPLES OF CSR

Principles for Integrating CSR into Organizational Culture

Basically, three principles of CSR have been identified and these can be used to integrate CSR into an organizational culture. These principles include Sustainability, Accountability, and Transparency, and many organizations consider these principles as part of their core values.

a. Sustainability: Sustainability refers to the ability of the corporation to continue sustaining its operations given the scarcity of resources. Some corporations use resources in their processes, especially the natural resources which can become depleted and make it difficult to sustain the operations. In such cases, corporations are urged to use resources sparingly and engage in practices which are designed to renew the source base, such as the planting of trees and forests. Where possible, such businesses should prioritize their renewable resources. Some corporations have to spend more money on research and development to finding methods of conserving and developing alternative sources. One example is an organization with a CSR fund where employees are convinced and willing contribute to it, or where the organization recruits partners who contribute resources that the particular organization cannot raise independently. The endeavor must remain a lifetime policy if the organization is to survive over the long term.

b. Accountability: Accountability is concerned with the recognition that the company's actions affect the external environment. Thus it should act responsibly (i.e., that it should engage in activities which are environmentally friendly). It is supposed to report to stakeholders those actions which have a potential to affect the environment, and the actions proposed to mitigate or to minimize such impacts. In many countries, national governments have enacted laws designed to ensure the well-being of the environment. In Uganda the government enacted an environment statute through which the National Environment Management Authority was created. This is a national body which regulates and approves projects after ensuring that they are either environmentally friendly or that mitigation measures are incorporated in the project designs.

c. Transparency: The Transparency principle, in the context of corporate social responsibility, means that "the external impact of the actions of the organization can be ascertained from that organization's reporting and pertinent facts are not disguised within that reporting" (Crowther and Aras, 2008). Business or management must be aware that all stakeholders, including those external to the organization, are entitled to know through reports all the effects of the organizations acts and transactions, especially as it affects them and the environment. For example, external stakeholders will want to know what the business has done to mitigate adverse impacts from its operations. This requires the timely filing if impact reports, with any relevant shortcomings shown. This final principle naturally emanates from the other two. For instance, it clearly emanates from the accountability principle that management must realize an accountability to the general population for their actions.

From the preceding information the following conclusions can be reached:

i. CSR enhances the brand image and reputation of a business and also leads to improvement in sales and customer loyalty and increased ability to attract and retain employees (Sharma et al, 2009).

ii. It is necessary for practitioners within the various departments of an organization to support the integration of CSR throughout the business strategy and operations.

ii. CSR efforts will be successful to the degree that they are supported by a strong board and secure the chief executive officer's (CEO's) commitment.

iv. Marketing managers need to carry out internal marketing in their organizations.

They can organize meetings and workshops for the board of directors/governing council and top managers through which they can be made aware and convinced that getting involved in CSR activities produces a good business image and improves sales for the organization.

Organizations ought to make CSR part of their core values. CSR should be integrated in corporate missions and codes of conduct.

Organizations should educate employees and partners about the need to observe the above principles; rules and codes of conduct should be put in place and penalties for breaking them should be written and communicated to the concerned parties.

The stakeholders within organizations should target include employees, customers, communities, and society in general. CSR with employees may involve putting in place a policy for providing them with the appropriate tools and clothing for work.

THEORIES OF CSR

The present practice of corporate social responsibility (CSR) has been depicted and informed by the stakeholder theory of CSR.

1. Stakeholder theory of CSR
2. Business ethics theory of CSR.
3. Shareholder value theory of CSR.

Stakeholder theory of CSR

Since the 1990s' the stakeholder theory has become famous as a direct alternative and challenge to the shareholder value theory (Freeman 1984). It argues that the number of stakeholder pressure groups has developed widely since the 1960s' and the stakeholder forces impact on business must not be underestimated. Ethical and pragmatic as it ought to be business success assume vast interests of stakeholders than the shareholder's interest alone. The stakeholder theory emphasizes special social rather than any others unrelated to the corporation. Thus CSR is denoted as a company stakeholder responsibility.

Business ethics theory of CSR

The business ethics theory is based on wider social obligation and the moral duty that business has towards society (Bigg, 2004).

This theory justifies CSR on 3 varied but interrelated ethical grounds:

1. Changing and emerging social responsiveness and social expectations to particular social problems.

2. Eternal or intrinsic ethical values and denoted as normative and universal principles like social justice, fairness and human rights.

3. Corporate citizenship i.e. corporation as a better citizen in a society to contribute to social well-being.

The business ethics theory views CSR more as philanthropic and ethical responsibilities rather than legal and economic responsibilities. CSR initiates where legal obligation declines.

The shareholder value theory of CSR

The shareholder value theory a perspective denoted by the Nobel Laureate Milton Friedman (1970) argues that only social responsibility of business is to develop its profits while following legal norms. Neoclassical economists like Hayek assert that the function of business is doing business that contributes to society and economy and its function must not be confused with other social functions performed by not-for-profit organizations and governments. Otherwise, it is not the most effective way of allocating resources in a free market. Economists like agency theorists believe that the corporation owners are its managers and stakeholders as agents have a fiduciary duty to serve the shareholders interest rather than any others.

CSR AND SUSTAINABLE DEVELOPMENT GOALS

i. (SDGs) were adopted on September 25, 2015 by 193 countries as a follow up to the Millennium Development Goals. The SDGs focus to end poverty, protect the planet and ensure prosperity for all, as part of a new sustainable development agenda. A total of 17 goals and 169 targets are set to be achieved by 2030 and the realisation of the same calls for a collective effort from the government, the corporates and the civil society organisations.

ii. India has also signed the declaration for sustainable development along with other countries. While the government initiatives in India are linked to achieving SDGs, local implementation and data validation becomes a challenge. To add on to the slow progress, India ranks 116 of 157 on the SDG index, thus calling for immediate action through a collaboration between the corporate sector, civil society organisations and the government. Corporates are now being seen as the key drivers of SDGs as they can apply their creativity and innovation in solving the sustainable development challenges and can play a strong role as facilitators to catalyse implementation of the SDGs.

Corporate Social Responsibility (CSR) has to be leveraged to achieve the SDGs for sustainable growth in a holistic manner for the people and the planet.

iii. The Sustainable Development Goals provide a powerful framework for businesses to engage in corporate social responsibility. In India, the CSR policy under section 135 of the Companies Act (2013) came around the same time as the formation of the SDGs. CSR policy was established to address the various development challenges. CSR and SDGs together have tremendous potential to develop an interconnected model for sustainable growth. There is a lot of overlap in the thematic development areas of both the SDGs and CSR.

iv. SDGs have immense opportunities for the corporate sector's participation. These goals are bringing private players from various sectors to achieve the common aim of sustainable development by exploring synergies between different stakeholders for cumulative synchronised growth. For example, when an organisation defines its CSR focus area on enhancing livelihoods through skill development training of women and youth, it is contributing to various SDGs like creating a means to end poverty, zero hunger, quality education, gender equality and decent work and economic growth.

v. While the Indian Government has made bold moves through its various schemes to reach out to the masses and contribute to achieving the SDGs, civil society organisations like Development Alternatives have initiated various innovative programmes in collaboration with the corporates to add to the impact. One of the key programmes of Development Alternatives is the 'Skills to Livelihoods programme' that is supported by many corporates. This programme has been designed to provide productive employment and decent work for all. Currently, it is being supported by a leading non-banking financial company called Fullerton India Credit Company Limited (FICCL) which offers various retail finance products for rural households and small and medium enterprises in India.

vi. Through the 'Skills to Livelihoods programme', youth and women are trained in alternate vocations to build sustainable livelihoods that are a means to increasing their family income. This helps in reducing poverty, reducing inequalities and providing a means to decent work and economic growth, thus contributing to achieving SDGs 1, 8 and 10. Till date, through FICCLs financial contributions under their CSR, Development Alternatives has impacted 1000 individuals by giving them sustainable livelihoods through the skill development programme.

CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

Corporate governance refers to the relationship among the board of directors, top management, and shareholders in determining the direction and performance of the Corporation. Corporate Governance is basically referred to as set of standards through which companies are ethically governed and regulated. It aims in improving company's overall image, efficiency and effectiveness through proper reporting and disclosure.

Corporate Social Responsibility is a long term commitment of business in contributing socio economic development for all sections of the society by engaging stakeholder’s i.e government, NGOs, civic society, investors in improving standard of living and quality of life.

CG and CSR as both are essential for effective governance, compulsory disclosure and creating sustainable business model.

Corporate Social Responsibility is an indispensable part of corporate planning, strategy and operational performance. As per the Companies Act 2013, it is mandatory for every company to spend minimum 2 % of its net profit on Corporate Social Responsibility.

Companies shouldn’t be formed for the purpose of making only profit, they should have a larger picture in developing and serving society at large. CSR address various sensitive issues such as human rights, worker’s rights, suppliers’ relations & involvement, providing basic amenities.

In the fast changing business environment companies do encounter huge competition from the domestic as well as international players, so survival of the best becomes essential by providing qualitative goods at low cost and improving financial position namely profits, earnings per share etc. Board members as well as shareholders receive incentives or dividends based on these performance indicators. If socially responsible behaviour would not have driven company’s profits then they would not have been in position to support for social cause or initiatives. So, profit is equally needed to spend in Corporate Social Responsibility activities for uplifting underprivileged sections of society.

Companies tend to assure regulators and investors that they are fully transparent and accountable, they commit for fair governance principles on various aspects of business practises. Similarly, CSR has been streamlined by taking into Corporate Governance for broader ethical decisions.

Now a days, CSR practised by the corporations are more attuned in balancing shareholders goals, environmental, and social needs. In large corporations the mechanism of governance includes CSR committees, business ethics committee, corporates codes of conduct, audit committee, remuneration committee all these are essentially part of clause 49 and stakeholder complaint. All these devices have been created on voluntary basis for “Corporate Self- Regulation”.

Corporate Governance, the concept of “governance” is as old as human civilization. Simply governance means the process of decision making and the process by which decisions are implemented on ethical basis. Governance can be in many forms such as corporate governance, international governance, national governance and local governance.

Analysis of governance focus on the formal and informal stakeholders involved in decision-making. Formal stakeholders includes investors, board of directors, managers, government and informal stakeholders include NGOs, civil society, research institutes.

Government is one of the players in governance. Others involved in governance vary depending on the level of government interference.

Corporate Governance has laid a framework of business decision making which can be applied for smooth functioning of organisational needs. It also helps in improving the relations among board of directors, shareholders and managers to resolve “agency conflicts”.

Agency Conflicts arises when there is disagreement on principles, differ on views in decision making, variance in objectives between the managers and shareholders.

Shareholders need to trust managers with their skill of decision making and give authority to execute task related to investments in financial securities.

In the corporate world, the term Corporate Governance has been described as the set of processes, which govern the way in which corporation is needed to directed, administered and controlled for ethical way running business. Over the past years, corporate governance shifted from functional to public policy approach that seeks to protect investors and non- investors like customers, suppliers.

The major corporate scandals took place in the early 2000s has stirred the entire investors community losing faith in making investments. It was during that time the corporate governance has steamed and gained attention as a public policy topic. Regulators called proposals for corporate reform to allow greater scrutiny over financial frauds and transparency.

The global financial meltdown and turmoil in the economic system due to sub-prime crisis was mainly due to fallout in the governance system and implications has been catastrophe.

The OECD and World Bank together have been working diligently in suggesting an internationally acceptable corporate governance code for the member countries. These apex developmental bodies felt the need to revamp the corporate governance practises, which optimizes the resources and economic environment of a country to promote ‘citizen welfare’ and overall growth of corporations.

Implementation of Corporate Governance is significantly related to shareholders rights and accountability along with long term and short term risk planning. The onus of successful implementation of fair Corporate Governance practises lies in the hands of board of directors of corporation.

They are responsible for formulating transparent and honest board structures (where independent directors hold authority), deciding fair executive remunerations and disclosure of financial & non-financial activities. Corporate governance is mainly used in creating a globally secure investment environment for the listed companies. To ensure most countries, advice corporations to adopt corporate governance code and spread the awareness about best practises in order to improve business performance.

The Organisation for Economic Co-operation and Development (OECD) and the World Bank, both respectable organisations are pioneers in suggesting an internationally acceptable Corporate Governance Code.

Adoption of newer innovative corporate governance practises would help in optimising resources and economic environment of a country in promoting citizen welfare and overall growth of corporations. So every country so design their own governance system and should consistently improve Corporate Governance norms. OECD and World Bank recommend 25 members countries and other non –member countries they must benchmark corporate governance practises nationally as well as internationally and develop acceptable corporate governance framework for their corporations.

The modern and complex business world, demands high quality, ethics and excellence to be properly imbibed into the organisation at the level of person, process and product. To cope with this change, core competency is needed to be identified and leverage for success and all this can be made possible through corporate governance.

Corporate governance is a term for accountability. It has assumed greater significance in recent years, following major business failures across the world. Corporate governance becomes strong when the corporate entities are directed and controlled, covering the entire gamut of activities involved in the functioning of the company, placing the board of directors in the centre of the system.

The essence of corporate governance is that it is “of the shareholders, by the shareholders and for the shareholders”. It is a system of structuring, operating and controlling a company with a sole aim of achieving long-term strategic goals to the benefits of shareholders, creditors, employee’s customers and suppliers complying with legal and regulatory requirements. Corporate

Governance manual is basically related to the powers of directors, particularly the non-executive, making available information on the company's current state of affairs to all the directors and system control to ensure the authenticity, timeliness and effectiveness of information.

Corporate Governance is not just corporate management, it is much broader and includes fair and transparent administration to meet certain well defined objectives. Corporate Governance also includes the code of conduct which the management need to practice.

Corporate governance is not only restricted to the organisation or profession. Its scope extends far beyond business and envelops the society by holding a balance between economic and social goals and between individual and business goals. The governance framework is there to encourage the efficient use of resources. The main purpose is to align the individuals, corporation and society. Corporate Governance is implemented to strengthen their economies and discourage fraud and mismanagement. The basic objective of corporate governance is to maximize long-term shareholder value.

The underlying principles of corporate governance consist of values, ethics and commitment to follow best business practices. Thus, it rests upon the foundations of transparency, disclosures and fairness in dealing with its stakeholders and increasing the firm's value for long term as well as maximise profit.

CSR definitely creates a financial impact on the company and it is necessary for a company to understand the implications of CSR. Companies generally don't make any value judgment but some things become so reprehensible in society that they become risk to the business. CSR is evolving from a NGO driven movement for a greater good to a business led risk management strategy and because of this CSR is central to governance. CSR aspects of Governance are expected to grow in future because non-financial issues are increasingly relevant for a number of industries especially in those countries with lack of governance standards. It would be better if, CSR is also added to the portfolio of corporate governance which will then have a statutory backing making the directors or managers of the corporations more accountable. In the near future society would witness that more & more companies are undertaking CSR activities as part of their Corporate Governance principles.

DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Why are firms becoming more socially responsible?

In recent years, there has been a trend, particularly among large organizations, to adopt a more socially responsible approach to their business activities.

Why the shift to corporate social responsibility (CSR)?

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

- Government legislation
- Customers' expectations of firms
- Consumer lobby groups
- the extent of costs involved
- the type of industry in which they operate
- the potential for competitive advantage
- top-level corporate culture

Government legislation

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

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

Customers' expectations of firms

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

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

Consumer lobby groups

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

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

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

The extent of costs involved

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

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

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

The type of industry in which they operate

There are a number of more significant industries where there is greater pressure an expectation on the firms to become responsible corporate citizens.

Following the Global Financial Crisis, there has been in increased expectation on banks and other financial institutions to be more transparent and ethical in their business operations. Obviously manufacturing is another industry that has greater pressure on it – particularly heavy manufacturing where there could be significant pollution, or large companies deciding to manufacture in developing countries, or manufacturers who have issues with product disposal (e.g. mobile phones and batteries and chemicals).

Potential for a competitive advantage by image

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

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

Corporate culture and top management values

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

THE CONCEPT OF CHARITY:

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

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

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

Purpose of Charity

Charity is essential and therefore meant to be done for public benefit, relief and to provide assistance to people at times of need in any part of the world, especially those who are the victims of war, natural disaster, catastrophe, hunger, disease, poverty, orphans by supplying them with food, shelter, medical aid, and other fundamental needs

Such charitable purposes can gain momentum from advancing the education of young people for the public benefit by making grants and awards to students in full-time education. When considering poverty in the developing world, people feel deep sorrow but seem to put no effort whatsoever to reduce or eradicate the problem. Poverty in today's world has turned out to be sinister and we lay passive towards the problem, therefore such attitude has made us powerless to stop it.

Since this world has been created it's been unequal in every way and there will always be rich and poor, strong and weak living together. While poverty is extreme and widespread, let's not forget just how many rich and wealthy people there are in the the world capable of giving. It's high time we must realize the power that we have in our hands when pooled together.

When everyone is giving to an effective charity, the size of our donation would directly correspond to the number of people we are able to help. We don't have to be a millionaire to make a significant difference. Just as every drop in the ocean counts to form a vast water mass, even small donations have the potential to drastically improve an individual's quality of life.

Importance of Charity in Our Society:

- The greatest gift to our community would be when we contribute to making lives better; when we touch lives by the dint of donations or charity, spreading light to the neediest and enlighten our souls in the process.
- Non-profits, charitable organizations, and NGOs often staffed by volunteers dedicated to improving the lives of abandoned, poor children, adults, orphans, and the homeless in the USA must be funded to reduce human sufferings.
- They provide children and families with clothing, food, education, shelter, and teachings. Through love, motivation, and opportunities they help people thrive and become self-sufficient, and on the other hand, there are organizations to support the elderly with dignity and assistance. As these organizations have taken up a sacred mission of helping the helpless, it's now our duty as well to help them to raise funds and support their noble cause.

CORPORATE CITIZENSHIP

What Is Corporate Citizenship?

Corporate citizenship involves the social responsibility of businesses and the extent to which they meet legal, ethical, and economic responsibilities, as established by shareholders.

Corporate citizenship is growing increasingly important as both individual and institutional investors begin to seek out companies that have socially responsible orientations such as their environmental, social, and governance (ESG) practices.

Understanding Corporate Citizenship

Corporate citizenship refers to a company's responsibilities towards society. The goal is to produce higher standards of living and quality of life for the communities that surround them and still maintain profitability for stakeholders.

The demand for socially responsible corporations continues to grow, encouraging investors, consumers, and employees to use their individual power to negatively affect companies that do not share their values.

All businesses have basic ethical and legal responsibilities; however, the most successful businesses establish a strong foundation of corporate citizenship, showing a commitment to ethical behavior by creating a balance between the needs of shareholders and the needs of the community and environment in the surrounding area. These practices help bring in consumers and establish brand and company loyalty.

In 2010, the International Organization for Standardization (ISO) released a set of voluntary standards meant to help companies implement corporate social responsibility.

Companies go through different stages during the process of developing corporate citizenship. Companies rise to the higher stages of corporate citizenship based on their capacity and credibility when supporting community activities, a strong understanding of community needs, and their dedication to incorporate citizenship within the culture and structure of their company.

The Development of Corporate Citizenship

The five stages of corporate citizenship are defined as:

1. Elementary
2. Engaged
3. Innovative
4. Integrated

5. Transforming

In the elementary stage, a company's citizenship activities are basic and undefined because there are scant corporate awareness and there is absence of senior management involvement. Small businesses, in particular, tend to linger in this stage. They are able to comply with the standard health, safety, and environmental laws, but they do not have the time nor the resources to fully develop greater community involvement.

In the engagement stage, companies will often develop policies that promote the involvement of employees and managers in activities that exceed rudimentary compliance to basic laws. Citizenship policies become more comprehensive in the innovative stage, with increased meetings and consultations with shareholders and through participation in forums and other outlets that promote innovative corporate citizenship policies.

In the integrated stage, citizenship activities are formalized and blend in fluidly with the company's regular operations. Performance in community activities is monitored, and these activities are driven into the lines of business.

Once companies reach the transforming stage, they understand that corporate citizenship plays a strategic part in fuelling sales growth and expansion to new markets. Economic and social involvement is a regular part of a company's daily operations in this stage.

Corporate Social Responsibility (CSR)

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

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

In order for a company to be socially responsible, it first needs to be responsible for itself and its shareholders. Often, companies that adopt CSR programs have grown their business to the point where they can give back to society. Thus, CSR is primarily a strategy of large corporations. Also, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behavior for its peers, competition, and industry.

Starbucks as an Example

Long before its initial public offering (IPO) in 1992, Starbucks was known for its keen sense of corporate social responsibility, and commitment to sustainability and community welfare. Starbucks has achieved corporate citizenship milestones including:

- Reaching 99% ethically sourced coffee
- Creating a global network of farmers
- Pioneering green building throughout its stores
- Contributing millions of hours of community service
    - Creating a ground breaking college program for its partner/employees

Starbucks' goals include hiring 10,000 refugees across 75 countries, reducing the environmental impact of its cups, and engaging its employees in environmental leadership.

CORPORATE PHILANTHROPY

What is corporate philanthropy?

Corporate philanthropy refers to the activities that companies voluntarily initiate to manage their impact on society. Typically, corporate philanthropic activities include monetary investments, donations of products or services, in-kind donations, employee volunteer programs and other business arrangements which aim to support a social cause. While some companies spearhead and operate corporate philanthropy programs themselves, others may focus on advancing the work of local community organizations, non-profit organizations or other social initiatives geared toward improving society.

Corporate philanthropy has become increasingly popular in recent years, as consumers now expect a certain level of accountability and transparency from corporate entities. With higher levels of open dialogue between consumers and businesses via social media, companies have taken on more responsibility for their particular social effects, wielding their financial and societal influence to empower communities. It's important to note that corporate philanthropy differs from corporate social responsibility (CSR) in that CSR is typically incorporated into a company's actual practices and functions as a business.

Here are a few types of corporate philanthropy programs that companies undertake:

Gift matching

Matching gifts are a popular type of corporate philanthropy effort. In matching gift programs, companies donate the same amount of money to a non-profit or community organization that other stakeholders do. These stakeholders could be employees, consumers or the general public. Typically, these programs increase the amount of philanthropic benefit to other organizations by a certain match ratio.

Volunteer grants

In volunteer grant programs, companies usually donate money to non-profits and community organizations matching stakeholders' volunteer hour contributions. These programs typically use a particular hour-to-donation formula to calculate contributions after stakeholders complete their volunteer hours. These projects not only allow companies to donate but can also encourage donations from other parties.

Benefits of corporate philanthropy

Corporate philanthropy can benefit a company in the following ways:

It can help the company to give back to the community. The most significant benefit of engaging with corporate philanthropy is being able to give back to the local community. Committing to supporting community organizations and individuals who work hard to improve society can be highly rewarding.

Philanthropy programs can improve a company's public reputation

Public stakeholders are likely to notice when companies engage in corporate philanthropy, support relevant social causes, and invest in communities, particularly underserved ones, such efforts can significantly improve a company's public reputation—a benefit that can lead to increase in engagement and profit.

Company sales can increase due to philanthropic efforts

Consumers, especially younger ones, have become more interested in supporting businesses with an interest in managing their social impact. Engaging in social accountability, generosity and transparency can help drive sales.

Customers may become more loyal to company products

Engaging in corporate philanthropy may increase customer loyalty. With the market's recent turn toward supporting socially oriented businesses, it has become common for consumers to seek products and services from companies who support positive social initiatives, even if they cost more than those created by competitors.

Connecting to communities can improve company culture

When companies establish a clear social mission, connect with their communities and expand their impacts, employees may feel more engaged in working for such organizations. In addition, this type of engagement can lead to increased employee satisfaction, reducing turnover and boosting productivity.

Philanthropic companies may attract more talented candidates

If a company becomes recognized within an industry for its charitable efforts and positive culture, it may attract a larger pool of talented candidates when positions open up. This is because highly qualified candidates typically prefer to become a part of organizations with strong reputations and expressed values.

How to create a corporate philanthropy program

The exact steps to create a corporate philanthropy program may differ depending on the company's industry, size, mission, investment capabilities and location. Regardless of these situational factors, a few essential steps could be taken towards building a robust corporate philanthropy program to support social initiatives and empower the company's local community.

Here are six steps to be followed to create a corporate philanthropy program:

1.Find a team member to spearhead the program

The first step in building a corporate philanthropy program is designating a team member to spearhead the program. It's important to find a team member who can serve as the initiative's leader and handle all the day-to-day operational details needed to make the program successful. It may be beneficial to appoint a team member who is particularly passionate about social improvement or one who has a background in philanthropy, fundraising, activism or other relevant fields. Such an individual may have unique insights into how the company can most effectively leverage its social and financial capabilities.

2. Select a method of philanthropy

When building a corporate philanthropy program, it's important to identify a path that aligns with the company's mission. Additionally, considering the company's resources, the team should be careful to choose a method that is both financially and operationally feasible. Building a program that considers such capabilities can effectively maximize the program's relevance and impact. For example, if your company produces art and office supplies, you may consider donating these items to community organizations that provide arts education to disadvantaged children. This initiative would align well with the company's abilities, given its special access to such materials.

3. Locate and set aside funding for the program

After selecting a method of philanthropy and appointing a team leader, you should work towards locating funding for the program and establishing a designated account for such funds. This is particularly important, as no corporate philanthropy initiative can succeed without proper financial backing. Whether donating materials to non-profit organizations or investing money in a company's community, it's necessary to have access to a significant pool of funds. Therefore, if such funds aren't inherently available within the corporate structure, you may consider holding a fundraiser or designing a program that allows the company to manage funding most effectively.

4. **Draft a comprehensive plan of execution**

With funds secured, a method of philanthropy chosen and a team leader appointed, you can begin drafting the comprehensive plan to execute a corporate philanthropy program. This process typically entails establishing the parameters of the company's giving program, what type of staff you may need to manage such efforts and whether you require applications for funding or donations. Aim to complete this plan before launching the program, but it can be helpful to remember that you can make minor improvements and adjustments to your plan as you gain more experience implementing the program.

5. **Create a marketing plan to promote giving**

Once you've drafted a plan of execution for the program, you should consider creating a marketing program to promote the company's philanthropy.

This can help ensure that the general public understands what the program is all about. An effective marketing program can also attract community organizations, encourage them to apply for support and simultaneously show external stakeholders that the company is making an effort toward managing its social impact.

6. Keep track of program metrics and review them regularly

Once you have completed the steps above, you can commit to launching the program. From here, the leader of the program should create a system for keeping track of metrics which measure the program's impacts. Collecting this data allows you to review the level of impact the program is having regularly and make necessary adjustments to maximize the overall impact effectively.

CSR includes bringing value to the community and generating a positive impact. Corporate Social Responsibility (CSR) is the idea that a company should play a positive role in the community and consider the environmental and social impact of business decisions.

Companies are increasingly ramping up their focus on social responsibility, whether they are championing women’s rights, protecting the environment, or attempting to obliterate poverty, on local, national, or global levels. From an optics perspective, socially responsible companies project more attractive images to both consumers and shareholders alike, which serves to positively affect their bottom lines.

CSR plays a crucial role in a company's brand perception; attractiveness to customers, employees, and investors; talent retention; and overall business success.

UNIT II

Implementation of CSR policy under sec. 135 of the companies Act 2013:

CSR policy – constitution of CSR committee and its composition – CSR composition – CSR design – CSR budget – Implementation of CSR- CSR process- CSR activities – Provision of CSR in Companies Act, 2013 – CSR Committee : CSR Policy – CSR Expenditure- CSR activities - Board responsibilities towards CSR, Regulatory requirement of CSR compliance in India- guidelines and notifications issued by the Ministry from time to time – penalty for non- compliance of section 135.

CSR POLICY

Meaning of CSR Policy:

Corporate Social Responsibility (CSR) is the way and means through which corporates can repay the obligations made by the Society by contributing the resources in its various forms as required for the efficient operation of the Business. Corporate Social Responsibility is strongly connected with the principles of sustainability. Organization should make decisions based not only on financial or operational factors, but also based on the social and environmental consequences. Therefore, it is the core corporate responsibility of companies to practice its corporate values through its commitment to grow in a socially and environmentally responsible way, while meeting the interests of its stakeholders.

The CSR Policy mandates that the surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of a company. The CSR projects or programs or activities undertaken in India only shall amount to CSR expenditure.

Objective and Purpose

The key purpose of this Policy is to:

- Outline the development areas in which the Company shall get involved in.
- Define governance structure for CSR management within the Company.
- Serve as a guiding document aiding in identification, execution and monitoring the CSR projects.
- Describe the treatment of surpluses from CSR activities.
- Define the approach and direction given by the Board of the Company, taking into account the recommendations of the CSR Committee
- Provide guiding principles for selection, implementation and monitoring of activities
- Formulate an Annual Action Plan every year as per applicable rules.

CONSTITUTION OF CSIR COMMITTEE AND ITS COMPOSITION

The CSR Committee should consist of 3 or more directors, out of which at least 1 director must be an independent director. An unlisted public company or a private company shall have its CSR Committee without any independent director if an independent director is not required

What is the composition of the CSR Committee?

The composition of the CSR Committee for various categories of companies varies as under:

Listed companies: Three or more directors, out of which at least one shall be an independent director.

Unlisted public companies: Three or more directors, out of which at least one shall be an independent director. However, if there is no requirement of having an independent director in the company, two or more directors.

Private companies: Two or more directors. No independent directors are required as mentioned in the provison under section 135(1).

Foreign company:

At least two persons out of which:

one shall be as specified under clause (d) of subsection (1) of section 380 of the Act, and
another shall be nominated by the foreign company. (Refer rule 5(1) of the Companies (CSR Policy) Rules, 2014)

Further, in cases, where the amount required to be spent by a company on CSR does not exceed INR 50 Lakh, the requirement for constitution of the

CSR Committee is not mandatory. The functions of the CSR Committee, in such cases, can be discharged by the Board of Directors of the company.

What are the functions of the CSR Committee?

The Corporate Social Responsibility Committee shall

(i) formulate and recommend the CSR policy to the Board

(ii) recommend the amount of expenditure to be incurred on CSR activities

(iii) monitor the CSR policy of the company from time to time

(iv) formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include the items as mentioned in rule 5(2) of the Companies (CSR Policy) Rules, 2014.

For companies covered under Section 135(9) of the Act and not required to have CSR Committee, these functions shall be carried out by the Board itself.

What are the responsibilities of the Board in relation to the CSR provisions?

CSR is a Board-driven process. The responsibilities of the Board of a CSR-eligible company, include the following:

(i) approve the CSR policy;

(ii) disclose contents of such policy in its report and also place it on the company's website, if any;

(iii) ensure that the activities included in the CSR policy are undertaken by the company;

(iv) ensure that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years;

(v) satisfy itself regarding the utilisation of the disbursed CSR funds; and

(vi) if the company fails to spend at least two per cent of the average net profits of the company, the Board shall, in its report specify the reasons for not spending the amount and transfer the unspent CSR amount to a separate account specifically made for ‘unspent CSR amount’.

(b) recommending the amount of expenditure to be incurred on the CSR activities.

(c) monitoring the Corporate Social Responsibility Policy of the company from time to time.

d) Further, the rules provide that the CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

The CSR Committee shall formulate and recommend to the Board, a policy which shall indicate the activities to be undertaken (CSR Policy); recommend the amount of expenditure to be incurred on the activities referred and monitor the CSR Policy of the company. The Board shall take into account the recommendations made by the CSR Committee and approve the CSR Policy of the company.

(Social Responsibility Policy) Rules 2014, which states that a Company may decide to undertake its CSR activities through;

1. Section 8 Company or Registered Trust/Registered Society – Established by the Company either singly or jointly.

2. Section 8 Company or Registered Trust/Registered Society – Established by Central Government /State Government or entity established under an Act of Parliament.

3. The company may collaborate with other companies for CSR Activity in such a manner that CSR Committee of respective companies is in position to separately report on that projects.

Which also mean that the other companies with whom we are collaborating for CSR activity have to be a company qualifying for CSR as per Sec 135.

4. Activity undertaken by the company is included in the CSR Policy of the Company as specified in Schedule VII.

5. CSR projects/programs/ activities undertaken in India, only amount to CSR activity.

CSR DESIGN

(CSR) Programme Design and Implementation

Modern CSR has evolved beyond tokenistic corporate philanthropy to encompass a much broader range of obligations in areas including environmental protection and sustainability, labour and human rights, diversity and inclusion. As well as increasingly a legally mandated requirement, international and national companies increasingly see the value in investing in these areas, with both an ethical and moral obligation as well as the social return on investment and community 'buy-in' that can be generated by well-designed CSR activities. Companies operating in developing economies often seek professional services in designing and delivering more long-term social investment projects, that may work directly with their employees and/or the communities impacted by their activities.

It is important to integrate transparency and accountability systems at the onset of the project, within the project design itself. It helps in articulating ownership and accountability amongst stakeholders.

CSR BUDGET

CSR budgeting is defined as the total amount of money determined by the firm to be spent during the year on CSR activities.

Under the Companies Act, 2013 it is a mandatory provision to provide a contribution of 2 percent of the average net profits of companies. CSR is required and applicable according to Sub-Section 1 of Section 135 of Companies Act, 2013.

How do you create a CSR budget?

Determine Your Goal

Build a new CSR strategy.

Create a new program altogether.

Advocate for a larger team.

Head-off a new leader asking why the company invests in CSR.

Supplement potential budget cuts.

Fund a system that can manage CSR data.

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY

Stakeholders have Extra Requirements, outside of “Profit Maximization,” for Companies

Earlier enterprises chose to fulfil their social responsibility under the pressure of labour conflicts and government departments. However, since the chief aim of enterprises has always been maximizing profit and shareholders’ interests early scholars believed that fulfilling social responsibility is meant to increase economic benefits. Otherwise, they agreed that enterprises are not obligated to fulfil social responsibilities.

Companies are both social and economic organizations. Because of this, it is harmful to define an enterprise as a “profit-making economic organization” and “subsidiary of shareholders” because companies will then regard “profit maximization” as their only goal and will ignore their responsibilities as social organizations.

According to R. Edward Freeman’s Stakeholder Theory enterprises have a series of contractual relationships with multiple stakeholders. Stakeholders exist in both internal and external enterprises and include investors, managers, employees, customers, suppliers, government departments, communities, and so on. They make direct and indirect investments in enterprises and assume the risks arising therefrom. Therefore, to ensure the sustainable development of society, enterprises should be responsible for all related stakeholders and not just shareholders.

Enterprises are pushed to take CSR into Account

Companies that neglect CSR and exists only to maximize profits will likely be harmful to society. Fortunately, the increasing efficiency of information dissemination exposes such companies. Once a negative social event occurs, the company/brand at fault will have their image and value which have been established over many years be severely damaged all at once.

The sustainable development of enterprises cannot be separated from society. Therefore, enterprises need to take CSR into account. Today, the corporate agenda is increasingly influenced by the concept of sustainability.

The World Business Council for Sustainable Development (WBCSD) stressed:

Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

Therefore, more enterprises are starting to consider the importance of sustainable corporate development and believe that being socially responsible is in line with their long-term development interests.

In Carroll's CSR Pyramid.

Unfortunately, increased costs are inevitable when fulfilling CSR. Benefits also may not come immediately. The trade-off between cost and benefit will be a critical factor for many companies for deciding the resources they may use to fulfil their social responsibility.

Positive Effects of CSR

Fulfilling CSR can help enterprises improve their business performances in the following aspects:

- Development of specific markets.
- Product differentiation strategies.
- Sale of pollution-control technology.
- Reduction of conflicts with external stakeholders.
- Energy savings.
- Reduced service, capital, and human resource costs.

Negative Economic Effects of CSR

When enterprises pay to fulfil social responsibilities, the economic benefits may not be as great as the benefits of investing in their main businesses. Some companies are unable to simultaneously boost their financial performance and CSR spending.

Information disclosure will alleviate this problem by having socially irresponsible companies be negatively evaluated in the capital market, which will lead to higher regulatory costs, a blemished reputation, and dissatisfied stakeholders.

According to Hohnen (2007) there are different ways to increase employees' commitment to the implementation process:

- Incorporating CSR performance elements into job descriptions and performance evaluations;
- Providing regular updates on progress (in meetings or the company newsletter)
- Developing incentives (such as monetary and other rewards for best suggestions)
- Removing or reducing disincentives (e.g., competing interests such as premature deadlines that encourage employees to choose non-CSR options
- Offering incentives and recognition for good ideas. –

Appropriate metrics –

What gets measured in companies is what gets done.

First step to strategic CSR is by making fundamental shifts in measurement systems. Quality metrics tend to be providing both financial and non-financial indicators in the process towards the CSR goals. (Haslin and Ochoa, 2008) –

Reward systems

Commitment and initiatives taken to improve the CSR implementation process, needs to be recognized and rewarded. Rewarding such initiatives will improve employees´ willingness to engage in ways that will help the organization attaining strategic CSR objectives. (Haslin and Ochoa, 2008) 3.2.3 Hohnens

CSR implementation framework for CSR

It does not exit a "one-size-fits-all" method, every firm has its exclusive attributes and circumstances that affects the company. Despite this there is a significant value in implementing CSR in a systematic way, in agreement with the firm's core values, business culture, environment and main business activities. (Hohnen, 2007)

Hohnen describes a well-designed CSR implementation framework.

Framework by dividing the process into four parts:

Plan Check and Improve. The first part Plan, includes the 29 process of developing an exclusive CSR strategy within the organization. Here it is important to communicate within the organization on all levels and to get the support from CEO, senior management and the employees.

In the second part of the implementation process, CSR commitments should primarily be developed and later implemented. In this part it is essential that the employees get actively involved in the process, this is partially done by preparing and implementing the CSR business plan with the participation of employees and through continuously CSR training.

After this part follows the third part which is Check. In this part it is important to assure, report and measure the progress of implemented CSR strategy, within the organization and to engage key stakeholders.

The last part of the CSR implementation process, Improve, emphasizes the importance of evaluation and to identify opportunities for improvement

Corporate Social Responsibility is a transformational initiative or is activity practised by Indian corporations. Mandated by the government, it is a positive step towards collective upliftment and well-being of the community. The CSR activities in India need to be in alignment with the socio-economic development of the society in some way or the other.

THE CSR COMMITTEE AND POLICIES

The qualifying companies are required to form a CSR committee. They are needed to spend at least 2% of its average net profit for the 3 previous consecutive financial years on CSR initiatives. Mandatorily CSR committee has to be formed by the qualifying company. It also has to appoint at least 3 Board of Directors (Board). This Committee is responsible for preparing and recommend to the Board, a policy and a plan that will specify the CSR activities to be undertaken (CSR Policy). They would also suggest (and protect) the amount of expenditure to be incurred on the activities referred. Monitor the implementation of CSR Policy and activity is also their job. The Board will analyse the recommendations and suggestions made by the CSR Committee and support the CSR Policy and activities of the company.

The Role of the Board of Directors in CSR

The significant role of the board of directors of a company plays a crucial role in the **CSR** activitie**s** of the company. The role of the Board includes:

- Approval of the Corporate Social Responsibility policy.
- Ensuring that the CSR plan gets implemented in its entirety.
- Full disclosure of the spends and plan of CSR policies which are related to its report.
- Displaying the same on the company website.
- Making sure that specified amount allotted is being spent by the company in CSR activities**.**

Though there is no penalty if the entire amount is not spent on CSR activities in India**,** the CSR committee and the board’s report should state the reason for the short spending.

CSR EXPENDITURE:

Schedule VII mandates expenditure for the following activities-

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

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

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

4) 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;

5) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts

6) Measures for the benefit of armed forces, veterans, war widows and their dependents;

7) Training to promote rural sports, nationally recognised sports, paralympic sports and Olympic sports;

8) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;

9) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government,

10) Rural development projects,

11) Slum Area Development Responsibility of Board of Directors

Board should take in account the recommendation of CSR committee & approve the CSR policy & also place it on company's website. Ensure that the activities are carried out as per the policy

CSR Committee:

Every Company on which CSR is applicable is required to constitute a CSR Committee of the Board: Consisting of 3 or more directors, out of which at least one director shall be an independent director. However, if a company is not required to appoint an independent director, then it shall have in 2 or more directors in the Committee. Consisting of 2 directors in case of a private company having only two directors on its Board Consisting of at least 2 persons in case of a foreign Company of which one person shall be its authorised person resident in India and another nominated by the foreign company Functions of CSR Committee.

The CSR Committee shall

Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company

Recommend the amount of expenditure to be incurred on the activities referred to in clause

Monitor the CSR Policy of the company from time-to-time

Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

Responsibility of Board of Directors (BOD):

The BOD of every company on which CSR is applicable shall: after considering the recommendations made by the CSR Committee, approve the CSR Policy for the Company and disclose the contents of such Policy in the Board report. ensure that the activities as are included in CSR Policy of the company are undertaken by the Company, shall disclose the composition of the

CSR Committee in Board Report, ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its CSR Policy. The CSR projects/programs/activities undertaken in India only shall amount to CSR Expenditure

CSR ACTIVITIES

Meaning

There is no definitive description that can define Corporate Social Responsibility activities completely. Still, to help understand and get an idea of what comprises of CSR, it has been defined under the CSR Rules.

The definition of CSR activities is as follows;

Programs or projects which are relating to activities specified in the Schedule 7; Programs or projects which are relating to activities that are undertaken by the Board that have been the recommendations of the CSR Committee as per the declared CSR policy. This would be subject to the condition that such policy covers subjects enumerated in the Schedule.

This definition of CSR suggests that it allows companies to engage in projects or programs relating to activities enlisted under the Schedule. While qualifying listed companies must engage in **CS**R activities in India, flexibility has been given to the company and CSR committee shall decide which areas of development they want to contribute in. The activities taken up must be compulsorily displayed on the company website.

CSR in Companies Act, 2013

The Companies Act 2013 has formulated Section 135 and is the landmark legislation that makes Indian companies answerable to the government about their CSR expenditures. India is the first country to make the incorporation of Corporate Social Responsibility activities mandatory for qualifying companies. It is, for sure, a remarkable step towards growth, overall development and humanity.

Be it a private sector company or a public sector company, Corporate Social Responsibility has to be adhered to by all listed companies. If a company falls in either of the following criteria, they need to form a CSR committee.

Companies:

- That has a net worth of Rs. 500 crores or more, or
- That have an annual turnover of Rs**.** 1000 crores or more, or
- That generate a profit **o**f R**s**. 5 crores or more.

During any financial year, if any of the above financial strength criteria are met then the rules of Section 135 apply. Prior to the compulsion of the Corporate Social Responsibility clause, CSR activities in India were voluntary for the listed companies**.** However, it was mandatory for them to disclose their CSR spending to their shareholders. Under the Companies Act, the preference has to be given to local areas in which the company operates.

Types of CSR Activities under Schedule VII of the Companies Act 2013

The following are the types of CSR activities in India that the qualifying listed companies under the Companies Act 2013 can contribute to:

I Eradicating Hunger, Poverty and Malnutrition:

This can be done by promoting health care and sanitation in rural areas. This can also be a contribution to the Swach Bharat Kosh which has been set-up by the Central Government. Blood donation camps can also be done as a part of a company’s CSR initiative.

II Promoting Education

This can be inclusive of providing education to children and essential vocational `skill training that enhances employment or special education among women, elderly and the differently-abled.

III Promoting Gender Equality.

Women empowerment programmes can be launched by setting up affordable hostels for women. Establishing old age homes, day-care centres and other facilities for senior citizens is another option. Orphanages can also be set up and managed by the CSR committee**.**

IV CSR Initiatives Related to the Environment

Contributions can be made towards environmental sustainability. Activities that help in maintaining the ecological balance, protection of flora and fauna, promote animal welfare, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government.

V Protection of National Heritage, Art and Culture:

This can include the restoration of heritage sites, buildings of historical importance and works of art public libraries can be set up as well.

VI Measures can be taken towards the Benefit and Support of Armed Forces Veterans, War Widows and Families.

VII Contributions to the Prime Minister's National Relief Fund or any other Fund Set Up by the Central Government for Welfare Development and Relief of the Schedule Caste, Tribes, Other Backward Classes, Women and Minorities.

VIII Contributions or Funds provided to the Development of Technology located within the Central Government Approved Academic Institutions.

IX Contributions can be made towards Rural Development Projects and Slum area Development.

CSR implementation process

It is important to report progresses in order to improve the outcome of the CSR implementation process. It is essential to Check if the focus is on measuring the targets and recognize performance that has been set up earlier. The usage of reward systems is important to keep employees motivated in the CSR implementation process. Organizations have to make their employees really put effort into the implementation and try to make them understand the meaning of CSR.

Improving the Evaluation is important in order to improve the CSR implementation process. Hohnen (2007) argues that in order to improve the CSR implementation process, an evaluation must be performed. The evaluation will then be used if new approaches of CSR are decided to be undertaken and implemented, and also to identify in which areas improvements are necessary and how the changes should be executed.

CSR ACTIVITIES OF COMPANIES IN INDIA

Indian companies were always very generous when it came to voluntary contributions to social welfare. But since it has been made compulsory, more impactful steps have been taken up.

In quantitative terms, the CSR spending by top Indian companies in 2018 was 47% higher after the mandate. The power and energy sector contributed over 2400 crores. The sector of banking and financial services contributed 1353 crores while the IT Industry generated about 1100 crores for the corporate social responsibilities. As of 2016, about 460 companies have been listed as CSR contributors for the country. Some of the big guns are ITC, Tata Group, Infosys, Ambuja Cement, Ultratech Cement, & Mahindra, Tata Chemical and Bharat Petroleum Corporation Ltd. contributions were majorly towards two sectors – health and education. About Rs 3,893 crore were spent as CSR in the last financial year in those two areas of development. 1029 crores were spent on rural development projects whereas 525 crores were diligently contributed towards equality and empowerment.

Companies in India doing CSR Activities in India

ITC

ITC has been doing impactful CSR activities in India for several years. ITC has educated about 2, 52,329 children through its 2,334 Supplementary Learning Centres. They have also supported and empowered about 15378 women members through 1183 self – help groups.

Tata Power

Tata Power has made it its top most priority to empower women through its Self-Help Groups in Kutch Region of Gujarat. This initiative provides financial aid and loans for housing, purchasing cattle, capital for business, education, marriage and medical purposes.

Infosys

Infosys is one of the early adopters of Corporate Social Responsibility. They have takes up projects like the restoration of water bodies in Karnataka and metro station construction in partnership with Bangalore Metro Rail Corporation Limited. Also, they are making a contribution in Sports through their Go Sports Foundation. Their CSR initiative also includes a relief fund for Tamil Nadu, Karnataka and Kerala.

Reliance

Reliance has taken up the initiative of securing the life of villagers of Balangir district. They have a life insurance programme for them. The "Education for All" initiative was launched to provide access to quality education in India to everybody. They work to protect the right to education of underprivileged children, girl-child and differently-abled. They also contribute to disaster relief funds.

Tata Steel

Tata Steel, for the last 100 years, has been committed to the social development and upliftment of Jharkhand. The agenda of their CSR committee is to improve the quality of life of the communities it operates in. They have also launched a train called “Lifeline Express” in 1991, a running hospital that serves the needy regions of India. They have done numerous AIDS awareness programmes.

AMUL

Over the years, Amul has contributed to rural health and development through Tribhuvan as Foundation. They have also established Swarnjayanti Gram Swarozgar Yojana, a holistic self-employment programme in Kheda district. They also successfully run tree plantation drives, blood donation camps and rural sanitation programmes. They also provide scholarships through their Amul Scholar schemes.

Cafe Coffee Day

The beloved coffee shop, Cafe Coffee Day, employs 50 speech and hearing impaired people at their various outlets as staff. They do this as a part of their CSR activity as a move towards equal employment. They called them the ‘Silent Brew-masters’. CCD also has tie-ups with NGO Enable India to empower differently-abled people. Their biggest CSR initiative is the SVGH Vocational Training College in Chikmagalur, Karnataka.

P&G

“Shiksha – Padhega India, Badhega India” is a crucial part of Procter & Gamble’s CSR. THE Shiksha initiative has, till date, helped about 280,000 underprivileged children to get access to their right to education. They have also built & supported over 140 schools across India.

Wipro

Wipro makes its contribution to education and upliftment through Wipro Care. Not just education, Wipro addresses disaster relief and rehabilitation and health and wellness programmes for the needy as well through Wipro Care. They have also launched Wipro Eye that promotes ecological sustainability in its operations.

DLF

DLF is India's largest real estate company. In the interest of educating children of construction workers, Swapana Sarthak Informal School was established. They have also set up employable vocational training centres under the banner of DLF LIFE. They've also set up DLF Inspire to improve the quality of life of underprivileged children.

Importance of Corporate Social Responsibilities

While CSR is a BIG step by companies for making a powerful change, it also means an enhanced overall reputation. For companies, it is also a powerful statement through which they convey what they stand for. It helps its employees, people and the company itself contribute to something that is bigger than its own needs. CSR also gives employees a sense of belonging. It strengthens the bond among employees and attachment towards the organization as well.

Corporate social responsibility goes a long way in creating a positive word of mouth around the organization as a whole. It plays a great role in making brand publicity. When people hear about CSR activities by a company, they intuitively develop a positive feeling for the brand. They tend to lean towards brands that take a stand. 2% might sound like a small amount, but large companies generate profit in crores. It is a huge contribution and brings about a big change towards the welfare of society and the development of the country.

PROVISION OF CSR IN COMPANIES ACT, 2013

The term 'Corporate Social Responsibility' (CSR) literally means the responsibility of Corporate Entities towards society. The origination of CSR happened long back in ancient India which lasted till 1850 and Charity and Philanthropy were the main drivers of that time. Evolutions of CSR are divided in four phases and to have an idea of these phases.

APPLICABILITY:

(1) Section 135(1) of the Companies Act, 2013 provides the trigger point for the applicability of CSR Provisions and constitution of CSR Committee. The constitution of CSR committee is mandatory in company having:

Net Worth of Rs. 500 Crore

Turnover of Rs. 1000 Crore

Net Profit of Rs. 5 Crore during any financial year.

2. NET WORTH: As per Section 2(57), 'NW' = (Paid up Share Capital + All Reserves Created out of Profits + Securities Premium Account) – (Accumulated Losses + Deferred Expenditures and Miscellaneous Expenditures not Written Off)

3. TURNOVER: As per Section 2(91), 'Turnover' means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year

4. NET PROFIT: As per Rule 2(f) of the Companies (CSR Policy) Rules, 2014'Net Profit' means the net profit of a company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following namely:

i) any profit arising from any overseas branch or branches of the company, whether operated as a separate company or otherwise; and

ii) Any dividend received from other companies in India, which are covered under section 135 of the Act;

Provided that net profit in respect of a financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956, (1 of 1956) shall not be required to be re-calculated in accordance with the provisions of the Act. Provided further that in case of a foreign company covered under these rules, net profit means the net profit of such company as per profit and loss account prepared in terms of clause (a) of sub-section (1) of section 381 read with section 198 of the Act

5. Analysis of the Term Net Profit:

The aforesaid definition of 'net profit' as per Rule 2(f) provides for 'net profit as per the financial statements prepared in accordance with the applicable provisions of the Act'. It is clear that Section 198 heading of which is 'Calculation of Profits' is the only provision which has to be considered for the interpretation of the expression 'net profit'. However, Section 198 starts with 'in computing the net profits of a company in any financial year for the purpose of Section 197'.

The inclusion of the words 'for the purpose of Section 197' created ambiguity whether Section 198 can be referred for the purpose of interpreting the expression 'net profit' provided in Section 135(1) and such inclusion of 'reference to Section 197', reflected that the intention of law maker may not be so. In addition to the above, there is another term namely, 'average net profit' which is used in Section 135(5) of the Act for the purpose of computation of expenditure which is to be incurred under corporate social responsibility. However, good news is that a recent circular dated 12th January 2016, was issued by the Ministry, which provided for 'average net profit' criteria as under:

1. Computation of net profit for section 135 is as per section 198 of the Companies Act, 2013 which is primarily PROFIT BEFORE TAX (PBT).' And, in addition to the above stated circular, explanation to Section 135 also clarifies it. From the above discussion it is clear that for the purpose of 'average net profit', computation would be as per the section 198. However, there is no clarity on the interpretation of the term 'Net Profit'. Further, the recent report of High-Level Committee has also highlighted this ambiguity and stated that "it is necessary to issue clarification regarding the definition of Net Profit under section 135(1) and section 135(5)." Further, the definition of net profit provided in Rule 2(f) of the Companies (CSR Policy) Rules, 2014, explicitly states that net profit as per financial statements. And hence, a view can be taken that subject to two adjustments provided in Rule 2(f), the 'profit after tax' in the financial statements shall be considered for the purpose of 'net profit' under section 135(1).

6. The Meaning of Expression 'Any Financial Year':

The expression 'any financial year' is used in Section 135(1) and to understand the meaning of this term, following are the relevant points:

Rule 3(2) of the Companies (CSR Policy) Rules, 2014, provides as under: Every company which ceases to be a company covered under sub-section (1) of section 135 of the Act for three consecutive financial years shall not be required to: a) constitute a CSR Committee; and b) comply with the provisions contained in sub-sections (2) to (5) of the said section

Circular dated 18th June, 2014 provides as under: 'Any financial year' referred under Sub-Section (1) of Section 135 of the Act read with Rule 3(2) of Companies (CSR Policy) Rules, 2014, implies 'any of the three preceding financial years'.

'Any Financial year' referred under Sub- Section (1) of Section 135 of the Act read with Rule 3(2) of Companies (CSR Policy) Rules, 2014 implies any of the three preceding financial years.

Therefore, it is clear that if as per latest audited financial statements, a company hits the any of the financial strengths, then it is required to constitute and have CSR Committee for three consecutive years irrespective of the financial strength. And in case, in the fourth year, such company does not hit any of the financial strengths, then such company does not need to have and constitute CSR Committee."

7 COMPOSITION OF CSR COMMITTEE:

As per Section 135(1), three or more Directors including at least one Independent Director shall form CSR Committee. However, for the companies which are not required to have Independent Director shall constitute CSR Committee without Independent Director and the private companies having only two Directors shall constitute CSR Committee only with two such Directors as provided in Rule 5(1) of the Companies (CSR Policy) Rules, 2014.

8. **Disclosure in Board Report:** As per Section 135(2) read with Rule 8, the Board's Report prepared under Section 134 shall contain the disclosures of the Composition of CSR Committee as per prescribed Annexure under Companies (CSR Policy) Rules, 2014.

9. **Role of CSR Committee**: As per Section 135(3), following are the roles and responsibilities of CSR Committee are .

Formulate a CSR Policy indicating the activities as per Schedule VII to the Act, Recommend the policy to Board of the Company,
Recommend the amount of expenditure on the activities, and
Monitor CSR Policy by way of instituting a transparent monitoring mechanism for implementation of CSR projects or programmes or activities undertaken by the company as provided in Rule 5(2).

10. **Role of Board of Directors**: As per Section 135(4), following are the role of Board of Directors,

Approve the CSR Policy;
Disclose the contents of policy on the company's website, if any;
Ensure that activities as included in CSR Policy have been undertaken.

11. CSR Expenditure: As per Section 135(5), at least 2% of the average net profits of the company during three immediately preceding financial years must be spent against CSR as provided in CSR Policy."

12. Failure to Spend CSR Fund: If a company fails to pay amount allocated for CSR, then such company shall make such disclosure in the Board's Report. Such company shall also specify the reason for failure to spend CSR Fund.

13. CSR Policy: As per Rule 4, following points must be considered while drafting the CSR Policy

(1) CSR policy shall specifically provide activities which are to be undertaken by the Company during the financial year;

(2) CSR Policy shall not include the activities which are in the normal course of the business of the Company;

(3) CSR policy shall provide for the activities to be executed in India only to be covered under Section 135;

(4) CSR policy may provide for the activities which are for the benefit of the employees of the company. However, such expenditure on such activity will not be considered as CSR expenditure;

(5) The companies can build their capacities of their own personnel as well as those of their implementing agencies through Institutions with established track records of last three financial years. However, administrative overhead in any case shall not exceed 5% of total CSR expenditure in one financial year.

As per Rule 6, following shall be included in CSR Policy:

(1) The list of programmes or projects which finds its place in the purview of Schedule VII;

(2) The modalities for exaction of CSR projects;

(3) The schedules for implementation of CSR projects;

(4) Monitoring process of such projects;

(5) Specific declaration to the effect that surplus arising out of the CSR projects shall not form part of the business profit of a company.

14. CSR ACTIVITIES:

As per Rule 4, following points must be considered while taking decisions on the activities to be undertaken by the Companies.

(1) CSR activities shall be undertaken as per its formalised CSR Policy.

(2) Any activity which is undertaken in the normal course of business cannot be termed as CSR activities of the Company.

(3) Two or more companies can also come together and collaborate for the purpose of undertaking projects or programmes under their CSR Policy in such a manner that the CSR Committees of respective companies are in position to report separately.

(4) To term any activity as 'CSR activity', the same shall be undertaken in India only.

(5) The companies can have CSR activities which will benefit the employees of such company. However, such activities will not be considered as CSR Activities pursuant to Section 135 of the Act.

(6) Political contribution shall not be considered as CSR activities.

15. CSR through Trust, Society and Companies u/s Section 8: As per Rule 4(2), the Companies can spend its CSR expenditure through registered trust, society or section 8 companies.

1. The law has granted companies to come together to form a trust, society or section 8 company for this purpose. Such companies coming together are not necessarily required to have some relations with each other such as associate, holding-subsidiary relation, etc. and hence, even unrelated companies can come together for this purpose.

2. The Companies can also undertake CSR activities through a company established under section 8 of the Act or a registered trust or a registered society established by the Central Government or State Government or any entity established under an Act of Parliament or a State Legislature. However, if a company doesn't opt for any of the aforesaid options for undertaking CSR activities and decide to undertake CSR activities through a company established under section 8 of the Act or a registered trust or a registered society other than those specified above then:

1. Such company or trust or society shall have an established track record of three years in undertaking similar programs or projects;

2. The Companies have specified the projects or programs which shall be undertaken with their funds;

3. Modalities of utilization of funds; and

4. Monitoring and reporting mechanism. Though, the above stated provisions and interpretation thereof provide clarity over CSR provisions, still there are different thought of schools which interpret meaning of the expression 'Net Profit' for the purpose sub-section (1) and (5) of section 135 in the spirit of

section 198.

BOARD RESPONSIBILITIES TOWARDS CSR

The Board and its role in CSR – an overview

The Board of Directors is responsible for and oversees the governance, culture and management of CSR. CSR's shareholders approve the appointment of Directors and hold them accountable for the performance of the Company. A key part of Directors' responsibility is to ensure that an effective corporate governance structure operates in the Company.

The governance structure should ensure that reasonable financial and growth targets are set and achieved and risk is properly managed, while taking into account the interests of shareholders, customers, employees, creditors and the general public. As well, CSR's corporate governance *culture* – our way of doing business – including leadership by the Board and senior management, is critical to CSR's continuing success.

This Board Charter sets out the functions of CSR's Board – describing the structure of the Board and its committees, the need for independence and other obligations of Directors.

Functions of the Board

The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of the Company. Its functions include:

- approving CSR strategies, budgets, plans and corporate policies.
- assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies
- reviewing operating information to understand the state of the Company.

- considering management recommendations on proposed acquisitions, divestments and significant capital expenditure.
- considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures.
- ensuring that the Company operates an appropriate corporate governance structure, in particular ensuring that CSR acts legally and responsibly on all matters and that the highest ethical standards are maintained.
- approving CSR's risk framework and appetite, as well as CSR's risk management strategy and monitoring whether the company is operating within that framework and appetite.
- considering the social, ethical and environmental impact of CSR's activities and monitoring compliance with CSR's sustainability policies and practices.
- ensuring that the Company's governance processes, in particular, the remuneration and other reward structures, align with the Company's values and risk appetite.
- maintaining a constructive and ongoing relationship with the regulators, and approving policies regarding disclosure and communications with the market and shareholders.
- monitoring internal governance including delegated authorities, and monitoring resources available to senior executives

The Board also takes on the role of the Nominations and Governance Committee which includes the following functions:

- Determining the appropriate size and composition of the board (in accordance with the Company's Constitution);
- Monitoring the balance of skills and experience on the Board and, when necessary, appointing new Directors, for approval by shareholders.

- Determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;
- Recommendations for the appointment and removal of directors;
- Reviewing of Board succession plans.
- Overseeing induction and continuing education programs for non-executive directors; and
- The evaluation of the Board's performance.

The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose, to assist the Board to discharge its obligations.

Specifically, with the guidance of the CSR Board's Remuneration and Human Resources Committee:

- appointing, evaluating, rewarding or removing the Managing Director and approving appointments, the remuneration or removal of senior management, including the Chief Financial Officer and Company Secretary.
- defining the terms and conditions of appointment to and retirement from the Board;
- determining the remuneration of non-executive directors, within the aggregate amount approved by shareholders.
- overseeing CSR's remuneration framework and ensuring that the remuneration framework promotes the right culture within the organisation.
- approving superannuation arrangements, guidelines for employee share plans, remuneration incentive policies, and recruitment, retention and termination policies; and
- reviewing succession planning for executives.

With the guidance of the Risk and Audit Committee:

- approving policies on and overseeing the management of business and financial risks and foreign exchange, interest rate and commodity price risks.

- reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting. Including the independence and performance of the external auditor.
- reviewing CSR's corporate governance framework, including company policies and levels of authority.
- approving financial results and reports for public release as well as dividends to be paid to shareholders.

The guidance of the Safety & Sustainability Committee:

- understanding and monitoring key risks to the business in the areas of safety, occupational health and environment.
- approving CSR's framework and policies for the management of workplace health, safety and environmental issues.
- reviewing and monitoring the effectiveness of the above framework, and
- reviewing and monitoring CSR's strategic and operational approach to the environment and sustainability, as well as its activities in the community.

In addition, the Board may establish a committee, for a limited time and purpose, to oversee a particularly important project or transaction.

Powers delegated to Management

The Board shall delegate to the Managing Director the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time. The Managing Director may delegate aspects of his/her authority and power but remains accountable to the Board for the Company's performance.

Beyond the functions reserved by the Board, the Board has delegated all authority to manage CSR and its business within the levels of authority specified by the Board from time to time. The Managing Director is required to report regularly to the Board on the progress being made by CSR's business units.

The Managing Director's role includes:

- effective leadership of the management team;
- the development of strategic objectives for the business; and the day –to – day management of CSR's operations.

Board structure

The composition, structure and proceedings of the Board are primarily governed by the Constitution of the Company (a copy can be found on the Company's website) and the laws governing corporations in jurisdictions where the Company operates.

Board composition

The Board aims to have at all times a Board of Directors with the appropriate mix of skills and experience relevant to CSR's businesses and the Board's responsibilities.

Appointment and re-election of Directors

- The Board shall identify candidates with appropriate skills and experience to maintain the necessary mix of expertise on the Board.
- Before appointment to the Board, candidates confirm that they will have sufficient time to meet their obligations to the Company, in light of other commitments.
- For shareholder meetings where Directors are standing for election or re-election, the notice of meeting must include each candidate's biographical details, including skills, experience and qualifications; all material information in its possession relevant to a decision on whether or not to elect or re-elect a director (including details of relationships with the Company and other Directors); Directorships held; particulars of other positions which involve significant time commitments.
- The term of office already served; any other relevant information, as well as particulars required by law. Directors standing for election or re-election at a general meeting shall be asked to introduce themselves to shareholders at the meeting.

- New Directors shall be provided with a formal letter of appointment setting out the terms and conditions of appointment, together with a timetable of Board and committee meetings as well as other commitments, information on the Company, and a copy of the Board Charter and relevant Company policies. New Directors shall execute a Deed of Indemnity, Insurance and Access (as approved by shareholders in 1999) and are required to execute an Agreement requiring the Director to promptly advise of transactions in the Company's shares.
- Non-executive Directors are subject to re-election by rotation at least every three years. Newly appointed Directors must seek re-election at the first general meeting of shareholders following their appointment. Directors will not seek re-election after serving for ten years.

Chair

The Chair shall be elected by the Board and must be an independent non-executive director.

The **Chair's role includes:**

- providing effective leadership to the Board in relation to all Board matters;
- representing the views of the Board to the public;
- convening regular Board meetings throughout the year and ensuring that minutes of the meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings;
- reviewing the performance of non-executive Directors and the Board;
- overseeing non-executive Director and senior management succession; and
- promoting consultative, productive and successful relations between the Board and management.

GUIDELINES AND NOTIFICATION ISSUED BY MINISTRY:

G.S.R. 715(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: -

1. Short title and commencement. – (1) These rules may be called the Companies (Corporate Social Responsibility Policy**)** Amendment Rules, 2022.

(2) They shall come into force on the date of their publication in the Official Gazette.

2. In the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), in rule 3, –

(i) in sub-rule (1), the following provisions shall be inserted, namely: –

"Provided further that a company having any amount in its Unspent Corporate Social Responsibility Account as per sub-section (6) of section 135 shall constitute a CSR Committee and comply with the provisions contained in sub-sections (2) to (6) of the said section."

(ii) Sub-rule (2) shall be omitted.

3. In the said rules, in rule 4, for sub-rule (1), the following sub-rule shall be substituted, namely: –

'(1) The Board shall ensure that the CSR activities are undertaken by the company itself or through, –

(a) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961 (43 of 1961), established by the company, either singly or along with any other company; or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

(c) any entity established under an Act of Parliament or a State legislature; or

(d) a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub-clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities.

Explanation.- For the purpose of clause (c), the term “entity” shall mean a statutory body constituted under an Act of Parliament or State legislature to undertake activities covered in Schedule VII of the Act.’.

4. In the said rules, in rule 8, in sub-rule (3), in clause (c),-

(i) for the words “five percent”, the words “two per cent.” shall be substituted;

(ii) for the words “whichever is less”, the words “whichever is higher” shall be substituted.

5. In the said rules, for Annexure-II, the following Annexure shall be substituted, namely: -

Penalty for non-compliance of CSR provisions under Companies Act, 2013

There is no specific penal provision for non-compliance under section 135 of the Act. However, there is risk exposure under two different provisions.

A. Section 134(3)& Section 134(8) (Non-disclosure or absence of the details about the CSR policy and its implementation in the Boards’ report would attract penalties) Section 134(3)&(o) to disclose all the relevant information about its CSR policy and its implementation on an annual basis. Section 134(8) Penalties for not discharging the duty as mentioned above are;

1. Fine, not less than fifty thousand rupees, may extend to twenty-five lakh rupees; and
2. Every officer of the company in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakhs rupees, or with both.

B. Section 450 & 451 General penalties for flouting the rules and repeating offences- Fine u/s 450 may extend to ten thousand rupees (Rs. 10,000/-), and where the contravention is continuing one, a further fine to one thousand rupees (Rs. 1,000/-) for every day after the first during which contravention continues. As per Sec 451 the defaulter is punished either with fine or with imprisonment and where the same offence is committed for the second or subsequent occasions within a period of three years, then, that company and every officer thereof who is in default shall be punishable with twice the amount of fine for such offence in addition to any imprisonment provided for that offence.

UNIT III

Governance of CSR Activities: Meeting of the CSR committee – preparation of CSR report- placing CSR report in Board meeting – Board responsibility towards CSR – CSR project management approach – Evaluation of CSR projects – CSR stakeholder communication, dialogue and engagement - CSR and risk Management – CSR as organisational Brand Building.

MEETING OF THE CSR COMMITTEE

Corporate social responsibility refers to the initiative and contribution of an enterprise towards the economic, environmental and social welfare of the general community. Section 135 of Companies Act, 2013 requires a company to constitute a CSR Committee to undertake and monitor CSR activities.

APPLICABILITY OF SECTION 135 As per Section 135(1) of Companies Act, 2013

Every company having

- Net worth of rupees five hundred crore or more, or
- Turnover of rupees one thousand crore or more, or
- Net profit of rupees five crore or more

during any financial year shall constitute a Corporate Social Responsibility Committee of the Board.

Time Limit for constitution of CSR Committee:

There is no time limit has been prescribed under the Act for constitution of CSR Committee. However once provision of Section 135 of the Companies Act is applicable on any Company, the CSR committee should be constituted in the First meeting of Board of Directors after applicability of the requisite provisions.

Total Members of CSR Committee: CSR Committee shall consist of 3 (Three) or more Director, out of which at least one director shall be an Independent Director.

Relaxation from having Independent Director in CSR Committee:

All unlisted public limited companies on which the appointment of Independent Director is not mandatory, are exempted from having Independent Director in their CSR Committee.

Following companies are required to have Independent Directors on their Board.

1. Every Listed Public Company 2. Unlisted Public Company the Central Government may prescribe the minimum number of independent directors in case of any classes of public companies. However, as per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the

following classes of companies shall have at least 2 directors as independent directors. Public Companies with paid-up share capital of Rs. 10 crores or more. Public Companies with turnover of Rs. 100 crore or more. Public Companies with aggregate outstanding loans, debentures, and deposits, exceeding Rs. 50 crore Relaxation from having 3 Directors in CSR Committee Private Limited Companies, where there are only 2 directors on their board, are also exempted to have 3 directors for CSR committee i.e., private limited companies can form the CSR Committee with 2 directors only. in case of foreign company in case of foreign companies,

The CSR committee should have at least two persons, out of which one person shall be specified under section 380(1) of the 2013 Act and another person shall be nominated by the Foreign Company.

“Committees shall meet as often as necessary subject to the minimum number and frequency stipulated by the Board or as prescribed by any law or authority.”

Quorum for CSR Meetings:

Law is also silent W.r.t. quorum for the committee meeting. But as per Secretarial Standard 1 “The presence of all the members of any Committee (applicable to CSR Committee also) constituted by the Board is necessary to form the Quorum for Meetings of such Committee unless otherwise stipulated in the Act or any other law or the Articles or by the Board.

Passing of Resolution:

CSR Committee meeting can conduct business by passing of resolution by circulation.

PREPARATION OF CSR REPORT

CSR Report in Board Meeting

1, Financial summary or highlights/Performance of the Company (Standalone): Board’s Report shall be prepared based on the standalone financial statements of the company. The Financial data for the current year and previous year (in case of existing company) are to be stated in a summarised form with the details of the appropriation of the credit balance (including the balance brought forward from the previous year). It should also contain tax provisions, provision for proposed dividend and dividend tax and balance (credit/debit) to be carried to balance sheet.

2. Dividend: A statement of recommended dividend specifying rate of dividend on different classes of shares and shares allotted during the year is to be given. If no dividend is recommended, a statement of reasons is to be given.

3. Reserves: The amounts, if any, which the Board proposes to carry to any reserves is to be given.

4. Brief description of the Company's working during the year/State of Company's affairs:

If there is more than one division, division wise working details are required to be given. Besides, working details of current years and future prospects of the company's working have also to be given. A statement justifying the reasons for improvement /depressed results in comparison of the previous year is also required to be given.

5. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report. Material changes occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report like settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc.

7. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

8. Details in respect of adequacy of internal financial controls with reference to the Financial Statements. (Applicable to Listed Company)

9. Details of Subsidiary/Joint Ventures/Associate Companies: A statement about subsidiary company is to be given. The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year.

10. Performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement. The Board's report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.

11. Deposits: The details relating to deposits, covered under Chapter V of the Act,-

(a) accepted during the year;

(b) remained unpaid or unclaimed as at the end of the year;

(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-

(i) at the beginning of the year;

(ii) maximum during the year

(iii) at the end of the year;

The details of deposits which are not in compliance with the requirements of Chapter V of the Act;

12. Statutory Auditors: Details about the statutory auditors of the company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.

13. Auditors' Report: The explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report shall be given.

14. Share Capital

A) Issue of equity shares with differential rights: The Board of Directors shall, inter alia, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the details as provided in rule (4) of Companies (Share Capital and Debentures) Rules, 2014.

B) Issue of sweat equity shares

WHAT IS A CSR REPORT?

A business has a responsibility to the society and environment in which it operates. Many businesses striving to be socially responsible use the triple bottom line - an organization's impact on people and the planet, in addition to its profits to determine strategic priorities.

A corporate social responsibility (CSR) report is an internal- and external-facing document which companies uses to communicate CSR efforts and their impact on the environment and community. An organization's CRS efforts can fall into four categories environmental, ethical, philanthropic, and economic. In some countries, it's mandatory for corporations to publish CSR reports annually.

CSR reports are typically presented in a digital format for easy distribution, but they can also be printed and presented to stakeholders in person. A CSR report's layout can range from a straightforward text document to a designed, visually stimulating packet.

WHY ARE CSR REPORTS IMPORTANT?

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

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

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

Improving Company's CSR Efforts

CSR reports are an effective way to communicate the business's efforts, goals, and plans to help the environment and community, along with the impact it's had so far. If, however, business hasn't started its social responsibility efforts yet, it's never too late.

Once the ball is rolling, design a CSR report outlining the company's efforts. Even if it's just a few pages long, explaining company's efforts, impact, and plans is worth the time. If driven by purpose and a clear plan, others may read about it and support the business on its journey towards corporate social responsibility.

How to write CSR report:

1 Structuring Your Report

Include an Executive Summary at the top of your report.

Different people read CSR reports for different reasons. Your executive summary gives all readers a quick rundown of the main points of your report for those who are just looking to get a quick overview.

Briefly list the goals your company has set with a sentence or two summarizing the progress that your company has made on those goals. If your company faces any challenges, it's a good idea to mention those upfront in your Executive Summary as well, along with a brief statement on how your company plans to address those challenges.

Put contact information immediately after your Executive Summary, including the names of employees who are directly responsible for handling the issues discussed in the report. You might also include the name and contact information for your public relations representative if you have one.

Provide a clickable table of contents for the report.

If you're publishing your CSR report on your company's website, set it up so that readers can click on the table of contents to go directly to the section they want to read. This makes your report more accessible and allows people to skip through it according to their needs. Organize your report according to each sustainability issue addressed.

For each issue, include sections that cover.

- A description of that issue and its relevance to your company
- Your company's goals regarding that issue
- A description of your benchmarks and measurements
- A statement of your company's progress towards those goals
- A plan of action to address any challenges or shortfalls

Format your report consistently

Use the same font and graphic elements throughout your CSR. If you include colour elements, keep the colours simple and bold so that they won't be distracting.

If your brand has a logo or distinctive colour scheme, consider using those colours exclusively to reinforce your brand identity.

You might consider having a professional graphic designer to lay out your report. Ensure your design elements are clean and not too cluttered.

2) Setting Goals for Your Organization

Identify the issues that are most important for your company

Generally, it's best to focus on a few large issues where your company can potentially have the most impact. Use surveys to determine which issues are most important to your customers and your community at large.

For example, if your company produces soft drinks and other beverages, the amount of sugar in your beverages might be an important social issue that you should address. You might also look at the sustainability of your manufacturing and distribution.

Focus on issues where your company has room to improve, where your improvement will have a long-term effect on your local community and society as a whole. For example, if your surveys indicate that racial justice is an important issue, you might focus on hiring more minorities in your company or establishing scholarships or internships specifically for racial minorities.

Quantify the starting levels for each of your company's goals.

Once you've established the issues you want to address, determine what your company is currently doing regarding those issues. This gives you a baseline that you can work from to set your company's goals for improvement in that area.

- For example, if your company produces soft drinks and you've identified sugar content as one of your issues, you might indicate the amount of sugar each of your beverages currently contains.
- If your company has decided to tackle racial justice, you might provide a list of the number of racial or ethnic minorities your company currently employs, as well as the relative rank of those employees in your organization.

Establish measurable targets for each of your goals. Looking at your baseline, come up with realistic targets you can expect your company to achieve within a set period of time (usually a year, but could be shorter depending on the issue and the goal). State the actions your company plans to take to reach those targets by the deadline you've set.[6]

- For example, if you've identified racial justice as one of your issues, you might establish a target goal of hiring 25% more racial or ethnic minorities in the next year.
- Pay attention to timing. If the goal is something your company can do immediately, or within a relatively short period of time, rather than spreading out over a longer period of time, setting a time frame of a year might not look like progress. For example, if you're setting a goal of decreasing the amount of sugar in your beverages by 10%, it likely won't take you a year to accomplish that.

3 Quantifying Your Progress

List the progress made toward each of your company's goals.

For goals established in previous CSRs, provide specific data and statistics that show how far your company has come. If your company achieved or surpassed the goal, set new benchmarks for the coming year.

For example, suppose your company produces soft drinks and you set a goal of decreasing the amount of sugar in your beverages by 10%. In fact, you surpassed your goal, decreasing sugar in your beverages by 15% and replacing refined sugar with raw sugar. You could provide a list of beverages your company produces and note the exact sugar content before and afterward.

Drill down data to the individual level

Take company-level data and express it in terms of the impact each employee has made. This enables readers to personally relate to the data and better understand it.

- For example, if you set a goal to decrease company waste, you might take the company-wide decrease and divide that amount by the number of your employees. Then, you could report that each of your employees was responsible for a specific amount of decreased waste.
- Drilling down to the individual level also helps your employees feel more personally responsible for helping the company meet the goals you set in your CSR.

Include anecdotes and interview snippets to connect with readers. Quotes from employees, investors, and customers make your CSR more personal. Your readers will see that your company's goals actually impact individuals and aren't just abstract corporate promises.

- For example, suppose your company produces soft drinks and you had a group of employees who went on a sugar fast and eventually completely eliminated refined sugar from their diets. You could include comments from them about how the company's goals inspired them to take action to improve their health.
- You might create surveys or feedback panels to get thoughts from employees, shareholders, and others who are invested in your business.

Include an action plan to address shortcomings and overcome challenges.

It's common to encounter roadblocks in achieving the goals you've set out in your CSR. Acknowledge these issues candidly and describe how the company plans to deal with them.

- For example, suppose you've set a goal of reducing company waste. However, the company you use to ship your products still uses wasteful packaging and transport methods. You might acknowledge the wastefulness of your shipping company and describe how you're going to find a different shipper who will meet your new requirements.

If there are areas that your company isn't doing very well in, be upfront with those as well. This is particularly important if there are industry-wide issues that affect not just your company but your competitors as well.

Provide detailed graphs and raw data in an appendix.

- Include the basics in the report itself, leaving the details for an appendix. Readers who want to look at this information for themselves will seek it out and you don't have to worry about bogging down the rest of your report with it.
- In the report, list where the raw data or more detailed graphs can be found. If you're publishing your report online, you might include a hyperlink that will take interested readers directly to the appropriate appendix.

Include a letter from your President or CEO.

A letter from the head of your company lets your readers know that the drive behind the CSR comes straight from the top. If you show that the leader of your company is committed, your readers will understand that the company is committed to meeting or even exceeding its goals.

Having a statement from the head of your company also sends a message to readers that the interest in corporate responsibility is company-wide not just something you're doing as a marketing ploy.

Acknowledge problems with clarity and transparency.

Your readers understand that no company is perfect. If your CSR makes your company seem perfect, readers may doubt that the report is completely truthful.

If your company is having issues related to the goals and issues you've defined in your CSR, be clear and upfront about them and describe the steps your company has taken to improve the situation.

- This is especially important if there has been recent news coverage about problems in your company or in your industry as a whole. Address those issues head-on in your CSR rather than avoiding them.
- For example, suppose you run a tech company. There've been recent reports about the lack of diversity in the tech industry. You might start by acknowledging the lack of diversity in the tech industry as a whole and in your company as well. Then, outline the steps your company is taking to recruit more women and minorities.

Rely on an independent rating system to measure your progress.

Third-party reporting and certification programs lend your CSR program and report more integrity. Depending on what your company does, there might even be a specific organization that caters to the needs of your specific industry.

- Independent rating and reporting organizations that work across multiple industries include the Global Reporting Initiative, the Greenhouse Gas Protocol, and the Carbon Disclosure Project.

Provide a statement from an auditing firm if you're a larger organization.

If you're a smaller company, you may not be able to afford to have your performance records reviewed by a reputable auditing firm. However, if you're a larger company or a smaller company that can afford auditing services, their statement of the authenticity of your records will lend them greater credibility.

- The most powerful auditing assurance statements come from one of the "Big Four" auditing firms: Ernst & Young, Price Waterhouse Coopers, Deloitte, and KPMG. These are names that readers will recognize and respect, even if they aren't all that familiar with auditing.
- Without an auditor's statement, you're merely self-reporting. Many readers are skeptical of companies reviewing and reporting on their own progress and may believe you've manipulated the data just to make the company.

Apply for a corporate responsibility award.

If you already have a strong CSR program in place and have been meeting or exceeding your goals for years, see if you qualify for an award for your efforts. The Corporate Responsibility Reporting Awards, for example, offer awards in 11 different categories.

Winning an award for your CSR program or reporting greatly enhances your company's prestige along with boosting the credibility of your report. Awards often improve employee morale as well, making your company a better place to work.

PLACING CSR REPORT IN BOARD MEETING

1. Directors' Report, Corporate Social Responsibility Report and Form No. AOC-2 as per Companies Act, 2013 are prepared for ready reference, which can be used for Compilation of Annual Reports.

2. Financial summary or highlights/Performance of the Company (Standalone): The Board's Report shall be prepared based on the stand-alone financial statements of the company. The Financial data for the current year and previous year (in case of existing company) are to be stated in a summarised form with the details of the appropriation of the credit balance (including the balance brought forward from the previous year). It should also contain tax provisions, provision for proposed dividend and dividend tax and balance (credit/debit) to be carried to balance sheet.
3. Dividend: A statement of recommended dividend specifying rate of dividend on different classes of shares and shares allotted during the year is to be given. If no dividend is recommended, a statement of reasons is to be given.
4. Reserves: The amounts, if any, which the Board proposes to carry to any reserves is to be given.
5. Brief description of the Company's working during the year/State of Company's affair If there is more than one division, division wise working details are required to be given. Besides, working details of current years and future prospects of the company's working have also to be given. A statement justifying the reasons for improvement/depressed results in comparison of the previous year is also required to be given.

5. Change in the nature of business, if any

6. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report. Material changes occurred subsequent to the close of the financial year of the Company to which the balance sheet relates and the date of the report like settlement of tax liabilities, operation of patent rights, depression in market value of investments, institution of cases by or against the company, sale or purchase of capital assets or destruction of any assets etc.

7. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future

8. Details in respect of adequacy of internal financial controls with reference to the Financial Statements. (Applicable to Listed Company)

9. Details of Subsidiary/Joint Ventures/Associate Companies A statement about subsidiary company is to be given. The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year.

10. Performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement. The Board's report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented.

11. Deposits: The details relating to deposits, covered under Chapter V of the Act,-

(a) accepted during the year;

(b) remained unpaid or unclaimed as at the end of the year;

(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved-

(i) at the beginning of the year;

(ii) maximum during the year;

(iii) at the end of the year; The details of deposits which are not in compliance with the requirements of Chapter V of the Act;

12. Statutory Auditors: Details about the statutory auditors of the company, any change made during the year, whether existing auditor(s) is/are eligible for reappointment etc.

13. Auditors' Report: The explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made by the auditor in his report shall be given. 14. Share Capital: A) Issue of equity shares with differential rights: The Board of Directors shall, inter alia, disclose in the Board's Report for the financial year in which the issue of equity shares with differential rights was completed, the details as provided in rule 4 (4) of Companies (Share Capital and Debentures) Rules, 2014. B)

Issue of sweat equity shares

The Board of Directors shall, inter alia, disclose in the Directors' Report for the year in which such shares are issued, the details as provided in rule 8 (13) of Companies (Share Capital and Debentures) Rules, 2014. C) Issue of employee stock options The Board of directors, shall, inter alia, disclose in the Directors' Report for the year, the details as provided in rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014. D) Provision of money by company for purchase of its own shares by employees or by trustees for the benefit of employees. Where the voting rights are not exercised directly by the employees in respect of shares to which the scheme relates, the Board of Directors shall, inter alia, disclose in the Board's report for the relevant financial year the details as provided in rule 16 (4) of Companies (Share Capital and Debentures) Rules, 2014

15. Extract of the annual return: the extract of the annual return in Form No. MGT – 9 shall form part of the Board's report

16. Conservation of energy, technology absorption and foreign exchange earnings and the details of conservation of energy, technology absorption, foreign exchange earnings are as follows:

A) Conservation of energy:

(i) the steps taken or impact on conservation of energy,

(ii) the steps taken by the company for utilising alternate sources of energy,

(iii) the capital investment on energy conservation equipments.

(B) Technology absorption:

(i) the efforts made towards technology absorption;

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

(a) the details of technology imported;

(b) the year of import;

(c) whether the technology been fully absorbed;

(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) the expenditure incurred on Research and Development.

(C) Foreign exchange earnings: The Foreign Exchange earned in terms of actual inflows during the year and the Foreign Exchange outgone during the year in terms of actual outflows.

17. Corporate Social Responsibility (CSR) (applicable to every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year) The

disclosures as per Rule 9 of Companies (Corporate Social Responsibility Policy) Rules, 2014 shall be made.

18. Directors:

A) Changes in Directors and Key Managerial Personnel: The details about the changes in the directors or key managerial personnel by way of appointment, re – designation, resignation, death or disqualification, variation made or withdrawn etc. In the case of a public company, the name of the director who is/are liable to retire by rotation and also whether he/they offers/offer for reappointment.

B) Declaration by an Independent Director(s) and re- appointment, if any (Applicable to every listed companies and any class of public companies as may be prescribed) A declaration by an Independent Director(s) that he/they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013 shall be enclosed. An independent director shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for reappointment for next five years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

C) Formal Annual Evaluation (applicable to listed company and every other public company having a paid- up share capital of twenty- five crore rupees or more calculated at the end of the preceding financial year) The Board shall include a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

19. Number of meetings of the Board of Directors

20. Audit Committee (Applicable to every listed company and such other class or classes of companies, as may be prescribed) The composition of an Audit Committee to be disclosed and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed along with the reasons therefor.

21. Details of establishment of vigil mechanism for directors and employees (Applicable to every listed company or such class or classes of companies, as may be

prescribed) The details of establishment of vigil mechanism for directors and employees to report genuine concerns to be disclosed.

22. Nomination and Remuneration Committee (Applicable to listed companies and such other class or classes of companies, as may be prescribed) The policy formulated by nomination and remuneration committee to be disclosed.

23. Particulars of loans, guarantees or investments under section 186

24. Particulars of contracts or arrangements with related parties: The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third provison thereto shall be disclosed in Form No. AOC -2.

25. Managerial Remuneration: A) Details of the ratio of the remuneration of each director to the median employee's remuneration and other details as required pursuant to Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. (Applicable to listed Company) B) Details of the every employee of the Company as required pursuant to 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 C) Any director who is in receipt of any commission from the company and who is a Managing Director or Whole-time Director of the Company shall receive any remuneration or commission from any Holding Company or Subsidiary Company of such Company subject to its disclosure by the Company in the Board's Report. D) The following disclosures shall be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the financial statement: —

(i) all elements of remuneration package such as salary, benefits, bonuses, stock options, pension, etc., of all the directors;

(ii) details of fixed component and performance linked incentives along with the performance criteria;

(iii) service contracts, notice period, severance fees;

(iv) stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable.

26. Secretarial Audit Report (Applicable to Listed Company and every public company having a paid-up share capital of fifty crore rupees or more or every public company having a turnover of two hundred fifty crore rupees or more). The Board of Directors shall provide explanations or comments on every qualification, reservation or adverse remark or disclaimer made by the company secretary in practice in the secretarial audit report.

27. Corporate Governance Certificate (Applicable to Listed Companies) The Compliance certificate from the auditors or practicing company secretaries regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing agreement shall be annexed with the report.

28. Risk management policy A statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

29. Directors' Responsibility Statement the Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state that

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively

30. Acknowledgements An acknowledgement to all with whose help, cooperation and hard work the Company is able to achieve the results.

RESPONSIBILITIES OF THE BOARD TOWARDS CSR

- The Board of Directors is responsible for and oversees the governance, culture and management of CSR.
- CSR's shareholders approve the appointment of Directors and hold them accountable for the performance of the Company. A key part of Directors' responsibility is to ensure that an effective corporate governance structure operates in the Company.
- The governance structure should ensure that reasonable financial and growth targets are set and achieved and risk is properly managed, while taking into account the interests of shareholders, customers, employees, creditors and the general public. As well, CSR's corporate governance *culture* including leadership by the Board and senior management, is critical to CSR's continuing success.
- This Board Charter sets out the functions of CSR's Board – describing the structure of the Board and its committees, the need for independence and other obligations of Directors.
- The Board also takes on the role of the Nominations and Governance Committee which includes the following functions:

(i) determining the appropriate size and composition of the board (in accordance with the Company's Constitution);

(ii) monitoring the balance of skills and experience on the Board and, when necessary, appointing new Directors, for approval by shareholders;

(iii) determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;

(iv) recommendations for the appointment and removal of directors;

(v) reviewing of Board succession plans;

(vi) overseeing induction and continuing education programs for non-executive directors; and

(vii) the evaluation of the Board's performance.

(viii) The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose, to assist the Board to discharge its obligations.

(ix) Specifically, with the guidance of the CSR Board's Remuneration and Human Resources Committee:

(x) appointing, evaluating, rewarding or removing the Managing Director and approving appointments, the remuneration or removal of senior management, including the Chief Financial Officer and Company Secretary;

(xi) defining the terms and conditions of appointment to and retirement from the Board;

(xii) determining the remuneration of non-executive directors, within the aggregate amount approved by shareholders;

(xiii) overseeing CSR's remuneration framework and ensuring that the remuneration framework promotes the right culture within the organisation;

(xiv) approving superannuation arrangements, guidelines for employee share plans, remuneration incentive policies, and recruitment, retention and termination policies; a

With the guidance of the Risk and Audit Committee:

- approving policies on and overseeing the management of business and financial risks and foreign exchange, interest rate and commodity price risks;
- reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting; including the independence and performance of the external auditor;

- reviewing CSR's corporate governance framework, including company policies and levels of authority;
- approving financial results and reports for public release as well as dividends to be paid to shareholders.

With the guidance of the Safety & Sustainability Committee:

- understanding and monitoring key risks to the business in the areas of safety, occupational health and environment;
- approving CSR's framework and policies for the management of workplace health, safety and environmental issues;
- reviewing and monitoring the effectiveness of the above framework; and
- reviewing and monitoring CSR's strategic and operational approach to the environment and sustainability, as well as its activities in the community.

In addition, the Board may establish a committee for a limited time and purpose, to oversee a particularly important project or transaction.

Powers Delegated to Management

The Board shall delegate to the Managing Director the authority and power to manage the Company and its businesses within the levels of authority specified by the Board from time to time. The Managing Director may delegate aspects of his/her authority and power but remains accountable to the Board for the Company's performance.

Beyond the functions reserved by the Board, the Board has delegated all authority to manage CSR and its business within the levels of authority specified by the Board from time to time. The Managing Director is required to report regularly to the Board on the progress being made by CSR's business units.

Managing Director's role includes:

- effective leadership of the management team;
- the development of strategic objectives for the business; and

- the day-to-day management of CSR's operations.

Board structure

The composition, structure and proceedings of the Board are primarily governed by the Constitution of the Company (a copy can be found on the Company's website) and the laws governing corporations in jurisdictions where the Company operates.

Board composition

The Board aims to have at all times a Board of Directors with the appropriate mix of skills and experience relevant to CSR's businesses and the Board's responsibilities

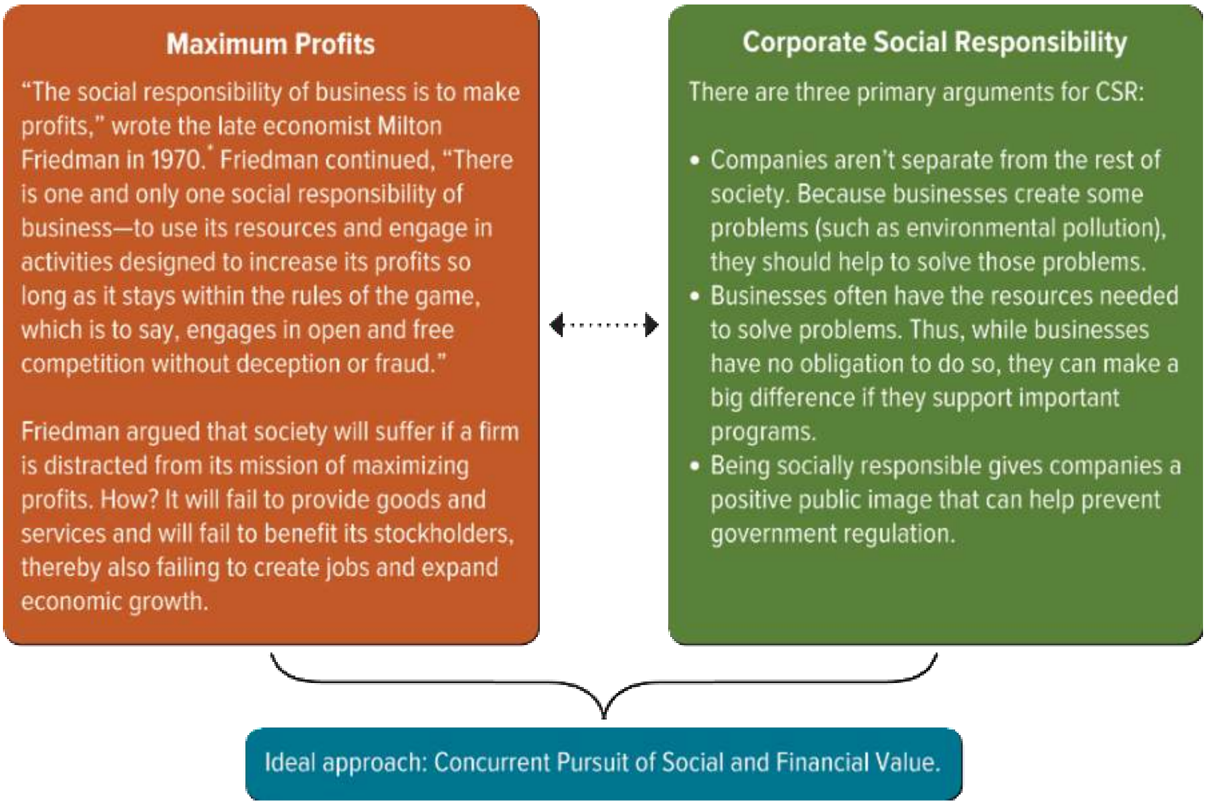
How to Evaluate Corporate Social Responsibility (CSR)

A business is any activity that seeks to provide goods and services to others while operating at a profit, but some individuals believe the role of a business goes beyond just making a profit by fulfilling philanthropic responsibilities. The University of Georgia business-ethics scholar Archie B. Carroll provides a guide for thinking about the day-to-day practical and moral matters that businesses encounter. Carroll's Global Corporate Social Responsibility Pyramid suggests that an organization's obligations in the global economy are comprised of economic, legal, ethical, and philanthropic responsibilities that are present in a firm.

Corporate Social Responsibility (CSR)

If individual ethical responsibility is about being a good individual citizen, corporate social responsibility (CSR) is about being a good organizational citizen. CSR is a concern for taking actions that will benefit the interests of society as well as the organization. CSR may range from sponsorship of Little League teams to sending supplies to hurricane victims. At the end of the day, it is about contributing to society in positive ways that make a difference to the community. And as many companies have found, CSR and ethics go hand in hand: acting ethically and with a sense of social responsibility are often one and the same.

Some companies feel the goal for maximum profit-pulling them in one direction, while the desire to be socially responsible is pulling them in a different direction because money from the organization is used to fund these social causes instead of being returned to the business or the owners of the business. The figure below outlines the rationale of these opposing viewpoints. Blending these two viewpoints together into one creates a "concurrent pursuit of value—both social and financial."



EVALUATING CORPORATE SOCIAL RESPONSIBILITY (CSR)

How can a company evaluate its social performance?

A social audit is a systematic evaluation of a company's performance in executing socially responsible programs, often based on pre -set goals. Social audits often focus on six key areas, as explained below.

Corporate Policy: Positions on Political and Social Issues

The corporate policy describes a company's stated positions on political and social issues. Many companies take positions on environmental matters. For example, Patagonia (a manufacturer of high-quality outdoor clothing and equipment) gives 1%

of its profits to environmental preservation groups in addition to supporting dozens of other environmental programs.

Community Activities: Sponsorship, Fundraising, Donations, and Other Support

Many companies contribute to charities, sponsor sports teams, buy ads in school newspapers, donate to museums, permit employees to volunteer at charities, and support similar community activities.

Cause-Related Marketing: Supporting Worthy Causes

Cause-related marketing, or simply cause marketing, is a commercial activity in which a business forms a partnership with a charity or non-profit to support a worthy cause, product, or service.

A good example of cause marketing is Box Tops for Education. General Mills began the program in 1996 with special box tops on certain cereals, including Total and Cheerio's Parents clip the box tops and send them to their local schools, which then trade the box tops for cash. The program has been so successful that it now includes many other brands, including Pillsbury, Ziploc, Kleenex, and Green Giant. By participating in the Box Tops program, American schools have earned more than $800 million to date.

Social Entrepreneurship: Leveraging Business for Social Change

Social entrepreneurship is described as an innovative, social value-creating activity that can occur within or across the for-profit and non-profit sectors.

The focus is generally on creating value while doing good in the world.

Social entrepreneurship is also characterized by innovation, through finding an opportunity to create something new, rather than simply repeating existing business models or practices.

Sustainability: Green Is Good

Sustainability is economic development that meets the necessities of the present without compromising the ability of future generations to meet their own necessities.

Companies large and small have launched green marketing campaigns promoting environmentally friendly causes, products, or stores.

Philanthropy: Not Dying Rich

"He who dies rich dies thus disgraced." So said 1880s steel manufacturer Andrew Carnegie, after he turned from making money to philanthropy, making charitable donations to benefit humankind. Carnegie became well known as a supporter of free public libraries, among other good works.

Among the most famous and generous philanthropists in the United States today are Bill Gates (founder of Microsoft), Warren Buffett, and Mark Zuckerberg (founder of Facebook) and his wife, Priscilla Chan, who have pledged to give away 99% of their net worth (estimated at more than $45 billion) in the course of their lifetimes.

Effective Strategies for CSR Project Evaluation

Project Identification

Projects can vary in terms of length and complexity, but it is important to define each project's goal. The first step in the CSR project evaluation process is to clearly define the project and its goals. This phase is critical for gaining insight into the relationship between the project goals and the sustainability of CSR strategy.

It will also help to identify the resources needed to implement the project and track its progress successfully. For example, if your company has decided to participate in an employee volunteer program, the project goal would be to complete a specific number of volunteer hours. On the other hand, if your CSR strategy involves donating money to a particular charity, the project goal would be to raise a specific amount of funds.

Strategy

A strategy is a plan of action designed to achieve specific outcomes. The strategy phase of CSR project evaluation can help to identify the best ways to align the company's CSR efforts with its wider mission statement.

An effective CSR strategy begins with the development of a mission statement that outlines the company's purpose and the values that guide its strategy and operations. This is followed by the development of a strategy statement (a detailed summary of your organization's business strategy). The strategy statement should include a general overview of the current operations, a description of the company's goals and an explanation of how the company plans to achieve these goals.

Risk Assessment

Once the company has established a strategic plan for the CSR project, it's important to identify potential risks and develop effective strategies for managing risk before the project begins. The best way to do this is to use an organizational risk assessment.

Organizational risk assessments are designed to help organizations identify and prioritize the risks they face. Organizational risk can include issues such as loss of reputation or damage to the company's assets. To assess risk, it is important to identify any potential hazards associated with the CSR strategy. This will allow to determine the likelihood that these hazards will result in an adverse outcome.

Performance Metrics

Once strategic plan has been created and project's risks have been identified, company can begin to identify which metrics will be used to measure the project's performance.

Objectives of performance metrics:

- Assess the progress of CSR projects over time.
- Identify strengths and weaknesses in the strategy.
- Identify areas that require additional funding or attention.

Performance metrics are also useful for communicating the project progress to stakeholders, investors and other interested parties. These metrics can be collected through surveys, interviews or other methodologies that allow the company to collect data for the project.

Value Creation

It's important to remember that creating value for the organization and its stakeholders is only half the story. The project must also create value for the community it serves. The best way to determine how the project will impact the community is to conduct a community

Assessment

Community assessments are designed to help organizations evaluate their role within the communities they serve. They also provide insight into how changes in the organization may impact the community and how those changes could be mitigated.

Communication Strategy

The last step in the evaluation process is to develop a communication strategy that will help ensure stakeholders understand the significance of the organization's efforts. Creating a stakeholder map will help to identify different individuals and areas that could be impacted by the organization's work.

It will also help to identify the best ways to communicate company's organization's value. The best way to communicate the significance of the organization's efforts is to incorporate storytelling into the outreach efforts. This will help identify areas of strength in company's strategy, allowing to focus efforts on projects that will have the most impact.

Conclusion

An effective CSR strategy begins with a clear understanding of the organization's unique strengths, values, and competitive advantages. A CSR strategy can guide the company and its decisions on how to participate in their community, and give back to the causes they care about most. Implementing a plan will help keep everyone in the organisation informed on what's happening within their business and how they're affecting their communities.

The word "monitor" is derived from the Latin word meaning to 'warn'. Monitoring is a continuous / periodic review and surveillance by the CSR department at every level of the implementation of an activity to ensure that input deliveries, work schedules, targeted outputs and other required actions are proceeding according to plan. Availability of a 'plan' is a pre-condition for monitoring.

According to PSO "Monitoring is the systematic collection, analysis and use of information from projects and programmes for the following basic purposes. Learning from the experiences acquired • Accounting internally and externally for the resources used and the results obtained, and • Taking decisions.

The CSR department requires following information to keep track of CSR programme and to guide its course of action.

1. Diagnostic information (why a situation is as it is)
2. Implementation information (physical and financial or input information)
3. Utilization information
4. Impact information
5. Situation information, and
6. Information for review.

Top management receives information from the monitoring unit and from other formal and informal sources. This influences programme implementation, leads to better CSR programme planning, and ensures sustainability of those programmes. Ultimately this leads to improving the ability of CSR departments to make effective use of available human and financial resources.

STAKEHOLDER DIALOGUE AND ENGAGEMENT

Definitions *"Stakeholder"* refers to groups or individuals who have relations with organizations' objectives. These relations are traditionally recognized by the influence those actors possess on different organizations. Through the years, the concept has changed; now, it demonstrates that different groups or individuals possess similar importance in influencing organizations as well as claiming rights and interests regarding their activities (Regardless of that comprehension, it is still difficult to delimitate who influences each organization.

"Stakeholders' dialogue and engagement "are defined as a socially constructed process that creates close interactions between a leading-edge organization and its stakeholders to strengthen their relations and contribute to the organization's sustainability.

Stakeholder Dialogue

` "Stakeholders' dialogue and engagement" are defined as a socially constructed process that creates close interactions between a leading-edge organization and its stakeholders to strengthen their relations and contribute to the organization's sustainability".

What are the benefits of stakeholders' dialogue?

Stakeholder dialogues make it possible to take different perspectives, standpoints and interests into account during planning and implementation processes. In so doing, they foster new and innovative forms of communication and cooperation and integrate diverse competencies.

1. The research agenda on stakeholder theory has introduced the stakeholder concept into the main-stream of organizational studies mainly by considering only the actors that influence Organizational objectives. However, this

comprehension is narrow and incomplete namely because it does not consider the dynamic of business society relations. Currently, the debate regarding how companies interact with their stakeholders is receiving influence from several perspectives.

2. These perspectives emphasize the stakeholder dialogue and stake-holder relations (Collins and Kearins 2007) as well as common issues between different actors within a network of relationships (Roloff 2008). When discussing stakeholder dialogue, the primarily observed element is the level of contact created among Organizations.

3. Dialogue is the beginning of every contact in society that can either create or fail to create additional elements that may develop a stake-holder engagement. Desai (2018) argues that dialogue allows stakeholders to more directly scrutinize organizational practices. Moreover, stakeholder dialogue can be perceived as taking place within and between business society relations without the existence of a previously defined driver.

4. The relations advance from society to the organization and vice versa through a continuous and dynamic movement whereby the characteristics of relations are collectively constructed and defined. The learning process occurs through this construction and definition and is considered responsible for the dynamic nature of engagement and dialogue. The central idea evoked by this premise is that the relations between corporations and society obtain the characteristic of reciprocity.

Stakeholder Engagement

Companies' contact within society with different stakeholders involves more than the creation of some strategy of dialogue; it is related to the stimulation of these actors' commitment to common goals, such as the SDGs. Stakeholder engagement concepts constitute a process (Black2006;

Greenwood 2007; Lane and Devin 2018) that comprise both stakeholder perspectives and sustainability concerns. More than an organizational practice, stakeholder engagement passes a set of practices to create and manage a platform that may deal and cooperate with stake-holders in a dynamic way. One of these practice scans be sustainability, which facilitates the action beyond the discourse related to the organizational impacts. In order to cover various SDGs in their strategies and practices, companies need to dialogue and engage stakeholders in their activities. Such actions contribute to greater integration into and stronger relationships within the companies' social networks.

Stakeholder Dialogue and Engagement on Sustainability Practices:

In addition to comprehending the role of stake-holder dialogue and engagement in creating strong relations within society, it is necessary that new challenges associated with changing behaviours towards sustainability practices be addressed. SDGs are broad guidelines that facilitate changes in society; however, they are only possible when new behaviours are observed in intra- and inter-organizations. Dialogue and engagement are parallel activities that influence a company's performance and require a clear pathway such that their maturity may be assumed. In this context, a significant pathway for stakeholder dialogue and engagement involves determining which SDGs are considered central by companies and, at the same time, how they can influence positive results in a strengthened way.

Depending on the dialogue form and script, different engagement dimensions may emerge. For instance, the dialogue with suppliers may be change as well as negotiation, which can develop other types of engagement and impact in various ways along the SDG application. Additionally, the single SDG practice depends on how the dialogue and engagement occur. Following the same example, whether interaction via knowledge sharing can create the environment for responsible production depends on whether the negotiation form involves suppliers changing their practices towards developing technologies and actions in order to create products and services that greatly affect society.

RISK MANAGEMENT AND CSR

1. Risk in this case is defined as anything that has the potential to affect business operation and ultimately its profitability.
2. A black swan is an event that occurs once in a lifetime but with a devastating impact on a business or a project. One can safely describe the covid-19 pandemic as one of such black swan events. However, beyond the pandemic, there has been an endless number of major events including wars on the border of the European continent, Brexit, stock market crash, and the Endsars campaign, to name but a few.
3. Corporate Social Responsibility (CSR) can help firms mitigate major risks, especially if it is well thought out and implemented.
4. CSR enables a firm to improve its reputation, and this can help them limit the impact of harsh operating conditions on their operations. For example, companies may be spared mob action or allowed to operate in setting with challenging security situations. Recently in Nigeria, in the wake of mob actions across the country, some companies were at the receiving end of these mobs compared to others. In the last few days, companies have rushed out hastily conceived CSR programs in the country.
5. It is interesting to see various banks, for example, rushing to offer interest-free loans to business owners.
6. Good CSR is built on careful stakeholder analysis. Such analysis enables firms to understand their stakeholders and how to effectively engage them. Correct understanding of stakeholders is helpful not just in deciding how best to support them from a CSR standpoint, but also on how to engage and operate their business in ways that are appropriate in these unusual times. For example, it might not be appreciated for a company to over publicize their support to communities at this time, else they might be seen as attempting to profit from the unfortunate situation people are going through. The decision on appropriate

communication must be driven by a thorough understanding of their stakeholders.

7. CSR acts like an insurance policy against the risk for a firm. It creates goodwill for the company, and this can help temper negative stakeholders' actions. The moderative effect of CSR at times like this might be the difference between a company's ability to operate or not.
8. CSR signals firms' intentions to society, and if properly managed, it can portray a firm as having good intentions for society. Not engaging in meaningful CSR can also be seen as not caring about society's interest. Society is likely to reward such companies who seek to enhance their interest compared to others who don't. CSR creates social capital which can be used in times like this to mitigate risk (Godfrey, et al; 2009).
9. Jo & Na (2012) found that CSR engagement was negatively associated with firm risk in controversial industries like tobacco, gambling and alcohol, and non-controversial sectors. Equally important, they found that this negative correlation does not apply when firms merely do window-dressing type of CSR.

BRAND BUILDING THROUGH CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has become one of the most important contributions that businesses can make to help society in a number of areas. CSR has been used in diverse areas such as disaster assistance, medical help, and education and has been hugely successful in improving society as a whole. Large firms like Tata, Wipro and Zoho have been among the leaders in corporate social responsibility activities.

The focus of CSR has mainly been on meeting the societal needs and complying with government regulations. CSR is often perceived as a cost that the firm needs to incur in order to continue to do business. When it is perceived as a cost, some firms may hesitate to spend more than what is mandated by law or what they perceive to be affordable. However, it is possible that we can change this cost-based approach to a marketing-based approach in order to obtain better benefits for the brand.

When a firm spends money on CSR, they are trying to better the broader society. At the same time, prior research has shown that consumers are more positive towards firms that engage in CSR and other similar activities. The key is in being able to communicate the purpose of CSR effectively to consumers so that they develop a more positive attitude towards the firm.

How does this communication help in building brand equity?

Prior research has shown that communication is key in building the right type of brand associations in the consumers' memory, which in turn will lead to a more positive brand image. One of the key tasks of communication is to improve the overall perception of the brand by building brand associations and brand image. This is done by pairing the key association with the brand name through repeated exposures to this combination. Once a firm is able to achieve this, consumers will be able to recall the CSR activity when the brand name is activated through any sort of exposure and if they have a positive attitude to the cause, this should help the brand.

A second key aspect of advertising CSR is to pair the brand and the non-profit for which CSR is being used. When this is done repeatedly, certain positive associations of the non-profit will be shared and eventually transferred to the brand. Over a period of time, such positive associations will be strongly associated with the brand, leading to a strong and positive brand image. building such associations without engaging in CSR will cost much more money and may not actually produce the desired result.

A third key aspect of advertising CSR is the ability to reach out to specific segments which were not available earlier through traditional advertising. Advertising the CSR will allow the brand to connect with these sets of consumers and lead to a more positive attitude and eventual purchase intention or even actual purchase. When the company considers the cost of reaching new segments and conveying the brand image, CSR will be able to achieve this purpose with much higher efficiency.

Brands need to consider CSR as an investment and as part of the marketing budget. This will allow them to plan campaigns consistent with the marketing objectives of the firm. Such campaigns will also build a strong brand image and equity and lead to future purchases. So, CSR can be a win-win situation for the brand as well as for the non-profit organization.

UNIT IV

Monitoring of the CSR committee – CSR process monitoring; situation monitoring – beneficiary monitoring; organisational monitoring – financial monitoring; compliance monitoring ;result monitoring – internal monitoring and Evaluation of CSR Activities – External monitoring and Evaluation of CSR Activities - CSR committee and Board level review of CSR Performance – CSR Reporting.

MONITORING OF CSR ACTIVITIES

Monitoring

i) Capability is the command that CSR programme has over physical, financial, and human resources, enabling it to serve its clients. It is reflected by CSR outreach, intensity, technical competence, and physical and financial resources. The CSR department's performance depends directly upon its capability.

ii) Effectiveness is the degree to which CSR goals are attained. CSR activities have many goals such as:

- Social goals (e.g., welfare of beneficiaries)
- Economic goals (e.g., increased income)
- Operational goals (e.g., physical and financial targets)

Among them, operational goals are of special significance because their attainment makes realization of other goals possible.

iii) Efficiency is usually measured by the rates at which beneficiary target group adopt recommended developmental practices. Adoption rates of varying degrees of complexity can be conceived.

iv) Impact can be measured by a simple indicator, like yield of a crop per hectare, Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR). Such indicators provide ultimate tests for the success of any sectoral CSR programmes like agriculture, health and family welfare etc.

Elements in Monitoring

i) Input: Goods, funds, services, manpower, technology and other resources invested in a CSR project with the expectation of OUTPUTS.

ii) Results: Certain things happen immediately, and certain things ultimately, while certain things in between these two (intermediate). According to this sequence, results can be grouped into three broad categories, such as productivity, production and income.

iii) Output (Immediate results): Specific products or services, which a CSR activity is expected to produce from its inputs in order to achieve the set objectives (increased irrigation, health facility created etc).

iv) Effect: It is the outcome of the use of the project outputs. The realization of expected effects in a project will lead to desired impact – Intermediate results.

v) Impact: It is the outcome of project effects or ultimate results (broad long-term objectives e.g. Standard of living and reducing poverty both at individual and community level). Impact is described as the outcomes for a community or region than on individuals. It may include direct and indirect as well as primary, secondary and tertiary level

Techniques of Monitoring

Broadly, following techniques are used for the purpose of monitoring

a. **Regular Progress Reports:**

Progress reports should contain physical and financial progress vis-à-vis targets, activities, etc. From the financial and physical progress report, it is often possible to make a rapid assessment of whether, and to what extent, the CSR activities have been fulfilled within the allocated budget.

b. Monitoring Staff Performance (Review):

Monitoring the CSR department and project staff performance can ensure that individuals are effectively employed to fulfil given tasks. Ideally, all staff should meet regularly, to discuss their progress, and match this against targets and objectives, and discuss problems and possible changes.

C**. Tour Reports / Site Visits:** Most useful information about qualitative aspects of a CSR programme is obtained from the tour reports / site visits submitted by field staff.

d. Participant Observation: The CSR department staff may observe the implementation of programmes and activities to obtain sensitive and first-hand insights.

e. Feedback from Visitors: The staff ensures that all visitors to the CSR sites and participants in its programmes provide short feedback on their impressions. (e.g., feedback on CSR activities / outputs / outcomes which will help in further developing the CSR programmes).

f. Interviews: Stakeholders should be interviewed on their impressions on CSR programmes and resultant changes.

g. Participatory Monitoring: In this, the stakeholders themselves are made partners in monitoring CSR programmes. The CSR department staff and stakeholders discuss and assess the performance together, in order to understand how they have performed, what the problems are and how to overcome.

h. Key Informants: In addition to regular stakeholders, CSR department must try to interact with others who may be useful sources of information (e.g., higher officials / policy makers in relevant department).

i. Complaints / Grievances Petitions: Complaints and grievances from stakeholders throw some light on the actual performance. Every CSR programme should make provisions for such source of information as part of monitoring.

TYPES OF MONITORING

Process monitoring

This is often referred to as 'activity monitoring.' Process monitoring is implemented during the initial stages of a project as its sole purpose is to track the use of inputs and resources, along with examining how activities and outputs are delivered. It is often conducted in conjunction with compliance monitoring and feeds into the evaluation of impact.

Compliance monitoring

Just as the name suggests, the purpose of compliance monitoring is to ensure compliance with donor regulations, grant, contract requirements, local governmental regulations and laws, ethical standards, and most importantly compliance with the expected results of the project. The need for compliance monitoring could arise at any stage of the project life cycle.

Context monitoring

Context monitoring is often called 'situation monitoring.' It tracks the overall setting in which the project operates. Context monitoring helps us identify and measure risks, assumptions, or any unexpected situations that may arise within the institutional, political, financial, and policy context at any point during the project cycle. These assumptions and risks are external factors and are not within the control of the project, however, context monitoring helps us identify these on time to influence the success or failure of a project.

Beneficiary monitoring

This type of monitoring is sometimes referred to as 'Beneficiary Contact Monitoring (BCM)' and the need for this may arise at any stage of the project cycle. Its primary purpose is to track the overall perceptions of direct and indirect beneficiaries in relation to a project. It includes beneficiary satisfaction or complaints with the project and its components, including their participation, treatment, access to resources, whether these are equitable, and their overall experience of change. Beneficiary monitoring also tracks stakeholder complaints and feedback mechanism.

Financial monitoring

The main purpose of financial monitoring is to measure financial efficiency within a project. It tracks the real expenditure involved in a project in comparison to the allocated budget and helps the project team to form strategies to maximize outputs with minimal inputs. This is often conducted in combination with 'process' and 'compliance' monitoring and is crucial for accountability and reporting purposes.

Organisational monitoring

As the name suggests, organisational monitoring tracks institutional development, communication, collaboration, sustainability and capacity building within an organisation and with its partners and stakeholders in relation to project implementation.

Results monitoring

This is where monitoring entwines with evaluation. It gathers data to demonstrate a project's overall effects and impacts on the target population. It helps the project team to determine if the project is on the right track towards its intended results and whether there may be any unintended impacts.

Types of Evaluation

Formative evaluation

This is generally conducted before the project implementation phase. But depending on the nature of the project, it may also continue through the implementation stage. Its main purpose is to generate baseline data to investigate the need for the project, raise awareness of the initial project status, identify areas of concern and provide recommendations for project implementation and compliance.

Process evaluation

It is conducted as soon as the project implementation stage begins. It assesses whether the project activities have been executed as intended and resulted in certain outputs. Process evaluation is useful in identifying the shortcomings of a project while the project is still ongoing to make the necessary improvements. This also helps to assess the long-term sustainability of the project.

Outcome evaluation

This type of evaluation is conducted once the project activities have been implemented. It measures the immediate effects or outcomes of the activities in the target population and helps to make improvements to increase the effectiveness of the project.

Summative evaluation

This occurs immediately after project conclusion to assess project efficacy and the instant changes manifested by its interventions. Summative evaluation compares the actual outcome data with baseline data to determine whether the project was successful in producing the intended outcomes or bringing about the intended benefits to the target population. It provides evidence of project success or failure to the stakeholders and donors to help them determine whether it makes sense to invest more time and money for project extension.

`Impact evaluation

Impact evaluation assesses the long term impact or behavioral changes as a result of a project and its interventions on the target community or population. It assesses the degree to which the project meets the ultimate goal, rather than focusing on its management and delivery. These typically occur after project completion or during the final stage of the project cycle. However, in some longer projects, this can be conducted in certain intervals during the project implementation phase, or whenever there is a need for impact measurement.

Real-time evaluation

Real-time evaluation is undertaken during the project implementation phase. It is often conducted during emergency scenarios, where immediate feedback for modifications is required to improve ongoing implementation. The emphasis is on immediate lesson learning over impact evaluation or accountability.

Participatory evaluation

This type of evaluation is conducted collaboratively with the beneficiaries, key stakeholders and partners to improve the project implementation. Participatory evaluation can be empowering for everyone involved as it builds capacity, consensus, ownership, credibility and joint support.

Thematic evaluation

Such type of evaluation focuses on one theme across a number of projects, programs or the whole organisation. The theme could be anything, ranging from gender, migration, environment etc.

Cluster or sector evaluation

Just as the name suggests, this evaluation is implemented by larger development and humanitarian sectors, including a group of different organisations, programs or projects that are working on similar thematic areas. It assesses a set of interconnected activities across different projects and entities. As a result, it strengthens partnerships within these key sectors, while improving their coordination, accountability, predictability, and response capacity.

Meta-evaluation

This is used to assess the evaluation process itself. Meta-evaluations could be useful to make a selection of future evaluation types, check compliance with evaluation policy and good practices, assess how well evaluations are utilized for organizational learning and change, etc.

Monitoring is conducted by an internal staff member, whereas, evaluations, depending on its type, could be conducted by internal team members or external consultants/experts. Internal evaluation could help build staff capacity and ownership but they may be subjective at times. On the other hand, external evaluation brings in a degree of objectivity and technical expertise and tends to be more transparent and accountable.

Financial Monitoring & Evaluation of CSR Projects

Financial M & E stands for 'Financial Monitoring and Evaluation'. The activity of 'Monitoring' occurs as the project is being implemented while the activity of 'Evaluation' occurs either after the completion of the entire project or after completion of relevant components of the projects. Typically, the activity of "Financial Monitoring" has the following features:

1) The activity is not a one-time activity but a recurring and ongoing activity occurring periodically during the lifetime of the project execution. It involves monitoring the periodic financial inflow into the project and its application towards the programmatic executions.

2) The findings and conclusions from financial monitoring are immediately communicated to relevant executors and should facilitate in the process of course corrections, especially where instances of impropriety or absence of prudence in spendings is noticed. The activity of "Evaluation" involves an assessment of cash flow movement in the project.

COMPLIANCE MONITORING

Monitoring and evaluation is essential component for analyzing the bottom line of CSR initiatives and improving its effectiveness. Monitoring and evaluation can provide unique information about the performance of organizations policies, programs and projects. It helps the business houses to understand the ground realties and beneficiaries' role in the CSR interventions and analyze and review performance about the business houses. Monitoring and evaluation systems can be applied to both individual projects and multi-component interventions being implemented by the industries or corporations.

There are different tools for measurement and monitoring of CSR activities:

a. **Employee and customer surveys:**

CSR activities can be measured by analyzing the results of different surveys conducted on employees and customers.

b. **Public attitude and trust surveys:**

CSR activities can be measured by analyzing the results of different surveys conducted in the society.

c. **Employee safety:**

Companies perform different social activities for employee safety. By monitoring and measuring the employee safety CSR activates can be measured.

d. **Waste management:**

It monitors and addresses the potential risks of doing business that raise waste management concerns, by setting out consecutive levels of proficiency in waste management.

e. **Media coverage:**

CSR activities can be measured through media coverage which may be positive or negative.

f. **Peer and Expert evaluation:**

CSR activities can be measured through Evaluation team.

Monitoring and Evaluation of CSR projects

Monitoring and Evaluation of developmental activities provides the corporate sector with a better means of learning from past experiences, improvising the service delivery system, systematic planning and optimizing resource allocation and demonstration of results as part of accountability to the key stakeholders (Prasad and Sampath Kumar, 2011). M&E can also be viewed as a tool to enhance the ability to consult and coordinate and engage with a wide variety of stakeholders. These two are essentially inseparable partnerships, and very important instruments for corporate citizenship interventions to enhance the quality and sustainability. The diversified monitoring and evaluation process leads to identification of relevant issues in a timely manner which in turn provides the ability to address issues through proper indicators and assists management in terms of further consultation (Appleton and Booth, 2001).

Evidence reveals that the corporate sector is geared towards result oriented performance and investing in local communities is seen to be a prerequisite in contributing to a sustainable, healthy and stable business environment in which investments will be protected and will produce returns (World Business Council for Sustainable Development, 2003). However, in some cases the corporate sector is still settling in to understand the interrelatedness of issues and lack the capacity to plan, implement, manage, measure and report on community development programmes.

As a result, unsuccessful development models are replicated and the real beneficiaries of their programmes, i.e., the communities, are not engaged, committed to and supported by programmes. The continuous process of a monitoring and evaluation system will yield good results in enhancement of the socially responsible activities. Planned interventions by the corporate sector in tune with the needs of people and implementation of programmes with active citizenship will enhance the quality of monitoring.

Evaluation of CSR programmes

Evaluation is the systematic and objective assessment of an on-going or completed project, programme or policy, its design, implementation and results. The aim of evaluation of a CSR programme, is therefore to determine the relevance and fulfilment of objectives, development efficiency, effectiveness, impact and sustainability. Such an evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors. Evaluation also refers to the process of determining the worth or significance of an activity, policy or program.

There are different reasons why a corporate aim to measure the effectiveness and impact of a programme. The reasons for measuring impact would differ greatly from a non-profit organisation or an international development agency to a corporate organisation and each would expect very different outcomes. Many models do not customise their impact assessment techniques to the needs of the industry. Every programme has to be evaluated in its own context and within its own set of indicators (next generation, 2011). Rossouw (2011) adds that CSR programmes often operate at grassroots level and, therefore, a lack of consistent record keeping, unavailability of reliable data and limited resources to conduct evaluations are inhibiting factors that affect the effectiveness of measurement models. There is also no integrated approach in the existing models. Qualitative issues are frequently neglected, whereas quantitative issues are overemphasised. As a result of the lack of common practice around social impact assessments and reporting, many of the ventures that have been studied are judged solely in financial terms, even if their social goals are a primary driver for operational choices, or if social goals were a key motivation for investment or philanthropic capital from the outset.

2. Levels of measurement to track the outcomes of community initiatives The most cited questions from investors and participatory stakeholders regarding Social/Community Development and Investment projects is: “How are the social impact/outcome/change of the development programme measured?”

   According to Trialouge (2014) companies track their investment initiatives to varying degrees. The five level of measurement outlined below describe progressive degrees of measurement and can be used to measure the short term or long-term and quantitative or qualitative, results of interventions.

   - **Inputs** – all resources (human, financial and other) that are allocated to specific activities (e.g., staff time, infrastructure, vehicles, funding and supplies)
   - **Activities** –Purposefully designated actions that transform the various inputs into specific outputs (e.g., distributing supplies, training people, donating equipment, building infrastructure, counselling patients, feeding learners)
   - **Outputs** - Direct result of activities. These are short-term result that are immediate, visible, concrete (e.g., number of people trained, supplies distributed or community members treated). Outputs for the business include the value of Public Relations that is generated, number of business stakeholders involved, and the number of staff volunteers engaged.
   - **Outcomes** –specific changes in the behaviours change, new knowledge, skills or wellbeing. These are medium-term developmental results that are a consequence of achieving a specified combination of short-term outputs (e.g., behaviour, knowledge or skills, improved grades improved access to health services, improved self-esteem). Outcomes could include improved staff morale, increased customer awareness or enhanced corporate reputation.

- **Impact** – Broader long-term consequences of the project. These include community, society or system-level changes that are the logical consequence of a series of medium-and short-term result (e.g. improved effectiveness of education system, reduction in HIV prevalence, more educated or healthier population, increased capacity) Companies can select indicators measuring a combination of these levels of measurement to track the outcomes of their community initiatives and are generally advised to adopt an approach commensurate with each projects level of investment or strategic value.

However, least common is impact measurement, although a surprising two-thirds of companies claim to track impact. Research on American corporates also suggests a high incidence of measurement, with 76% of companies tracking outcomes or impact on at least one project in their portfolio in 2013 (Trialouge, 2014).

3) Tracking outcomes of social investment Gubic (2015) believes that tracking the outcomes of social investment is increasingly becoming a shared responsibility between donors and recipients where a common understanding needs to be reached to manage expectations around long-term impact and to extract lessons that will help guide future interventions.

4) Outcomes have changed the lives of the people they are looking to support and monitoring should be seen as an ongoing managerial practice that involves keeping track of their activities, while evaluation is a more reflective process that should interrogate whether the right choices are being made to reach a strategic objective (Trialogue, 2015). Gubic (2015) reports that the measurement task needs to be approached with more sensitivity. While M&E is increasingly required as a governance.

5) Monitoring and evaluation is increasingly becoming a donor requirement, with many corporates investing in measuring the impact of their development work (Archer, 2015).

6) M&E processes have improved CSR planning and management decisions and helps them to focus on shared value and sustainability.

This legacy of good corporate citizenship lives on today through the group's formalised Corporate Social Investment (CSI) portfolio, which has evolved over the years to strategically align with the priorities of government in creating an empowered and economically independent population.

7) The focus of CSI echoes the general emphasis on sustainability, which is foundational to the organisation in its day-to-day operations. All projects supported make an enduring and lasting difference in the lives of beneficiaries. Project partnerships are developed with the aim of creating best practise models that can be replicated in more communities, increasing the overall impact on society.

The Board and its role in CSR

The Board of Directors is responsible for and oversees the governance, culture and management of CSR.

CSR's shareholders approve the appointment of Directors and hold them accountable for the performance of the Company. A key part of Directors' responsibility is to ensure that an effective corporate governance structure operates in the Company.

The governance structure should ensure that reasonable financial and growth targets are set and achieved and risk is properly managed, while taking into account the interests of shareholders, customers, employees, creditors and the general public. As well, CSR's corporate governance culture – our way of doing business – including leadership by the Board and senior management, is critical to CSR's continuing success.

This Board Charter sets out the functions of CSR's Board – describing the structure of the Board and its committees, the need for independence and other obligations of Directors.

Functions of the Board

The Board strives to build sustainable value for shareholders whilst protecting the assets and reputation of the Company. Its functions include:

approving CSR strategies, budgets, plans and corporate policies;

assessing performance against business plans to monitor both the performance of management as well as the continuing suitability of business strategies;

reviewing operating information to understand the state of the Company;

considering management recommendations on proposed acquisitions, divestments and significant capital expenditure;

considering management recommendations on capital management, the issue or allotment of equity, borrowings and other financing proposals, guarantees of non-group liabilities, and restructures;

ensuring that the Company operates an appropriate corporate governance structure, in particular ensuring that CSR acts legally and responsibly on all matters and that the highest ethical standards are maintained;

approving CSR's risk framework and appetite, as well as CSR's risk management strategy and monitoring whether the company is operating within that framework and appetite;

considering the social, ethical and environmental impact of CSR's activities and monitoring compliance with CSR's sustainability policies and practices;

ensuring that the Company's governance processes, in particular, the remuneration and other reward structures, align with the Company's values and risk appetite;

maintaining a constructive and ongoing relationship with the Australian Securities Exchange (ASX) and regulators, and approving policies regarding disclosure and communications with the market and shareholders; and

monitoring internal governance including delegated authorities, and monitoring resources available to senior executives.

The Board also takes on the role of the Nominations and Governance Committee which includes the following functions:

determining the appropriate size and composition of the board (in accordance with the Company's Constitution);

monitoring the balance of skills and experience on the Board and, when necessary, appointing new Directors, for approval by shareholders;

determining the appropriate criteria (necessary and desirable skills and experience) for appointment of directors;

recommendations for the appointment and removal of directors;
reviewing of Board succession plans;
overseeing induction and continuing education programs for non-executive directors; and
the evaluation of the Board's performance.
The functions listed are matters which the Board specifically reserves for itself and does not limit the Board's overall duties and responsibilities. The Board may delegate consideration to a committee of the Board specifically constituted for the relevant purpose, to assist the Board to discharge its obligations.

Specifically, with the guidance of the CSR Board's Remuneration and Human Resources Committee:

appointing, evaluating, rewarding or removing the Managing Director and approving appointments, the remuneration or removal of senior management, including the Chief Financial Officer and Company Secretary;
defining the terms and conditions of appointment to and retirement from the Board;
determining the remuneration of non-executive directors, within the aggregate amount approved by shareholders;
overseeing CSR's remuneration framework and ensuring that the remuneration framework promotes the right culture within the organisation;
approving superannuation arrangements, guidelines for employee share plans, remuneration incentive policies, and recruitment, retention and termination policies; and
reviewing succession planning for executives.

With the guidance of the Risk and Audit Committee:
approving policies on and overseeing the management of business and financial risks and foreign exchange, interest rate and commodity price risks;
reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting; including the independence and performance of the external auditor;

reviewing CSR's corporate governance framework, including company policies and levels of authority;
approving financial results and reports for public release as well as dividends to be paid to shareholders.

With the guidance of the Safety & Sustainability Committee:
understanding and monitoring key risks to the business in the areas of safety, occupational health and environment;
approving CSR's framework and policies for the management of workplace health, safety and environmental issues;
reviewing and monitoring the effectiveness of the above framework; and
reviewing and monitoring CSR's strategic and operational approach to the environment and sustainability, as well as its activities in the community.
In addition, the Board may establish a Committee, for a limited time and purpose, to oversee a particularly important project or transaction.

Powers Delegated to Management

The Board shall delegate to the Managing Director the authority and power to manage the Company and its businesses within levels of authority specified by the Board from time to time. The Managing Director may delegate aspects of his/her authority and power but remains accountable to the Board for the Company's performance.

Beyond the functions reserved by the Board, the Board has delegated all authority to manage CSR and its business within the levels of authority specified by the Board from time to time. The Managing Director is required to report regularly to the Board on the progress being made by CSR's business units.

The Managing Director's role includes:

effective leadership of the management team;
the development of strategic objectives for the business; and
the day-to-day management of CSR's operations.

Board structure

The composition, structure and proceedings of the Board are primarily governed by the Constitution of the Company (a copy can be found on the Company's website) and the laws governing corporations in jurisdictions where the Company operates.

Board composition

The Board aims to have at all times a Board of Directors with the appropriate mix of skills and experience relevant to CSR's businesses and the Board's responsibilities.

Appointment and re-election of Directors

The Board shall identify candidates with appropriate skills and experience to maintain the necessary mix of expertise on the Board.

Before appointment to the Board, candidates confirm that they will have sufficient time to meet their obligations to the Company, in light of other commitments.

For shareholder meetings where Directors are standing for election or re-election, the notice of meeting must include each candidate's biographical details, including skills, experience and qualifications; all material information in its possession relevant to a decision on whether or not to elect or re-elect a director (including details of relationships with the Company and other Directors); Directorships held; particulars of other positions which involve significant time commitments; the term of office already served; any other relevant information, as well as particulars required by law. Directors standing for election or re-election at a general meeting shall be asked to introduce themselves to shareholders at the meeting.

New Directors shall be provided with a formal letter of appointment setting out the terms and conditions of appointment, together with a timetable of Board and committee meetings as well as other commitments, information on the Company, and a copy of the Board Charter and relevant Company policies. New Directors shall execute a Deed of Indemnity, Insurance and Access (as approved by shareholders in 1999) and are required to execute an Agreement requiring the Director to promptly advise CSR of transactions in the Company's shares.

Non-executive Directors are subject to re-election by rotation at least every three years. Newly appointed Directors must seek re-election at the first general meeting of shareholders following their appointment. Directors will not seek re-election after serving for ten years.

Chair

The Chair shall be elected by the Board and must be an independent non-executive director. The Chair's role includes:

providing effective leadership to the Board in relation to all Board matters;

representing the views of the Board to the public;

convening regular Board meetings throughout the year and ensuring that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;

guiding the agenda and conduct of all Board meetings;

reviewing the performance of non-executive Directors and the Board;

overseeing non-executive Director and senior management succession; and

promoting consultative, productive and successful relations between the Board and management.

Company Secretary

The Board appoints and removes the Company Secretary. All Directors shall have direct access to the Company Secretary.

The Company Secretary shall be accountable to the Managing Director, and to the Board through the Chair, on all corporate governance matters.

The Company Secretary shall be responsible for communication with the Australian Securities Exchange about listing rule matters. The Company Secretary is responsible for the day-to-day operations of the Company Secretary's office including lodgements with relevant securities exchanges and other regulators, the administration of Board and Board Committee meetings (including preparation of meeting minutes), the management of dividend payments and associated share plans, the administration of CSR and oversight of the relationship with CSR's Share Registrar.

Keeping Directors Informed

The Chair shall brief new Directors on their roles and responsibilities and make available the minutes and papers of Board and Committee meetings.

New Directors shall also be briefed by the Managing Director and other senior executives about the Company, its structure, people, policies and culture, the industries in which it operates and business strategies and performance. Their induction will include a series of site visits to review operations.

Board papers are distributed at least four days before each meeting. The Managing Director will send to Directors a comprehensive monthly business performance report – whether or not a Board meeting is scheduled. Directors will have unrestricted access to Company records and information.

Time is to be allocated at Board and Committee meetings for continuing education on significant issues facing the Company and changes to the regulatory environment. This is to include briefings by management and external consultants from time to time. These briefings and inspections of operations shall be arranged so as to give Directors access to a wide range of employees.

Access to Independent Advice

Directors may obtain independent professional advice at CSR's expense on matters arising in the course of their Board and Committee duties, after obtaining the Chair's approval. A copy of any such advice shall be provided to all other Directors and they must be advised if the Chair's approval is withheld.

Non-executive Directors' Meetings

The Non-executive Directors are expected to meet on a regular basis, without management present. These meetings include a review of management performance, at the appropriate time.

Independence of Non-executive Directors

A majority of the Board must be independent Directors.

To be judged independent, a Director must, in the opinion of the Board, be independent of management and have no material business or other relationship that could interfere with – or could reasonably be perceived to interfere with – the proper exercise of that Director's duties.

Individuals would, in the absence of evidence or convincing argument to the contrary, be judged to be not independent if they were:

• recently employed by CSR or any of its subsidiaries; or

• directly involved in the audit of CSR or any of its subsidiaries; or

• directly involved in the provision of advice or consulting services to CSR where the amount paid during the year for that advice or services exceeded 5% of the total fees earned by that firm or 1% of CSR's consolidated group revenue; or

• directly involved with a supplier to the Company where the amount paid during the year by CSR to that supplier exceeded 5% of the consolidated group revenue of that Company or 5% of CSR's consolidated group revenue; or

• directly involved with a customer of the Company where the amount paid during the year by that customer to CSR exceeded 5% of the consolidated group revenue of that Company or 5% of CSR's consolidated group revenue; or

• a substantial shareholder of CSR, or an officer of, or otherwise associated directly with, a substantial shareholder.

Any change in the independence status of a non-executive director must be promptly notified to the Chair and Company Secretary.

Conflict of interest

Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of CSR and shall advise the Company Secretary of all Directorships held in other companies.

If a potential material conflict of interest arises, the Director concerned shall advise the Chair prior to any Board meeting at which the issue is to be discussed. The Director shall not receive the relevant Board papers and shall leave the Board meeting while the relevant matter is considered. Any potential conflict of interest must be recorded in the Board minutes.

Directors are required to notify the Chair before accepting a role with another substantial/significant appointment.

Board Committees

The Board shall operate three Committees, each comprising at least three independent, non-executive Directors:

Risk and Audit Committee

Remuneration and Human Resources Committee

Safety & Sustainability Committee

The Chair of the Board may chair the Remuneration and Human Resources Committee, but not the Risk and Audit Committee. When appointing members of each Committee, the Board shall take account of the skills and experience appropriate for that Committee as well as any statutory or regulatory requirements.

The three Committees operated by the Board shall consider and determine the matters for which they are responsible in accordance with their Charter. Copies of the charter of each Committee are published on the Company's website. All Directors are invited to attend any Committee meeting.

Review of Board, Committee and Individual Directors' Performance

The Board, periodically through the Remuneration and Human Resources Committee, shall regularly carry out a formal review of the performance of the Board, its Committees, and each non-executive Director. The review shall involve obtaining feedback from Directors and those senior CSR people interacting with the Board and its Committees. The review shall assess:

the effectiveness of the Board and each Committee in meeting the requirements of its Charter;

whether the Board and each Committee has members with the appropriate mix of skills and experience to properly perform their functions;

the contribution made by each Director at meetings and in carrying out their responsibilities as Directors generally, including preparing for meetings;

whether adequate time is being allocated to CSR matters, taking into account each Director's other commitments;

the independence of each Non-executive Director, taking into account the Director's other interests and Directorships;

whether the content, format and timeliness of agendas, papers and presentations provided to the Board and each committee are adequate for them to properly perform their functions; and

any other comments or suggestions made during the feedback process.

The Remuneration and Human Resources Committee shall annually review the performance of the Managing Director and any other executive Directors as may be appointed. This is in line with CSR's annual performance appraisal and salary review process, which requires that the performance of each executive be evaluated against pre-set goals, taking into account feedback from the executive's senior manager as well as peers and the people who report to them.

The Board approves guidelines/charters against which the Board, Committees established by the Board and individual Directors are appraised. The outcomes of performance assessments, along with plans and objectives for the new financial year, are submitted to the Board for consideration.

Directors' obligations

Shareholding in CSR

All Directors and Executive Key Management Personnel are expected to acquire a beneficial interest in CSR shares equivalent in value to one year's fixed remuneration, and Senior Executives are expected to acquire a beneficial interest in CSR shares equivalent in value to six months total fixed remuneration. Fixed remuneration is calculated as being inclusive of superannuation. The minimum shareholding requirements are required to be met by non-executive directors within four years of appointment and by KMP and senior executives within a reasonable time frame and are to be valued at the greater of either the cost at the time of purchase, or the current value.

Restrictions on share dealings by Directors

In accordance with the CSR Share Trading Policy and the ASX Listing Rules, Directors and senior management may only buy or sell CSR shares, or give instructions about their participation in the CSR share plans, during the month commencing 24 hours after the date of the annual and half yearly results announcements and the annual general meeting. Directors must advise and obtain clearance from the Chair before trading in CSR shares. Directors are prohibited from buying or selling CSR shares at any time if they are aware of any market sensitive information that has not been made public.

CSR's Share Trading Policy

Confidentiality

All proceedings of the Board, including Board papers, presentations and other information provided to the Board, shall be kept confidential except as required by law or as agreed by the Board.

Code of conduct

The Company shall have a Code of Business Conduct and Ethics which sets out the way CSR conducts business and guides the behaviour of everyone in CSR – employees and Directors – clearly stating the Company's firm commitment to behaving honestly and fairly.

CSR REPORT

According to the global reporting initiative, a CSR report can be defined as:

"A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. a sustainability report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy."

A CSR, corporate social responsibility or sustainability report is a periodical (usually annual) report published by companies with the goal of sharing their corporate social responsibility actions and results.

The report synthesizes and makes public the information organizations decide to communicate regarding their commitments and actions in social and environmental areas. By doing so, organizations let stakeholders (i.e., all parties interested in their activities) aware of how they are integrating the principles of sustainable development into their everyday operations.

- Corporate social responsibility is the idea that a business has a responsibility to the society and environment in which it operates. Many businesses striving to be socially responsible use the triple bottom line—an organization's impact on people and the planet, in addition to its profits—to determine strategic priorities.

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

- In some countries, it's mandatory for corporations to publish CSR reports annually.

- The lack of standards can, however, make it difficult to compare reports across companies. It also enables firms to leave out areas where their efforts failed or harmed people or the environment.

- CSR reports are typically presented in a digital format for easy distribution, but they can also be printed and presented to stakeholders in person. A CSR report's layout can range from a straightforward text document to a designed, visually stimulating packet.

CSR reporting is the practice of reporting an organization's performance of non-financial metrics, providing transparency on the organization's impact on society and the environment. Typically released on an annual basis, CSR performance reporting is voluntary.

WHY ARE CSR REPORTS IMPORTANT?

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

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

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

IMPROVING YOUR COMPANY'S CSR EFFORTS

- CSR reports are an effective way to communicate your business's efforts, goals, and plans to help the environment and community, along with the impact it's had so far. If, however, your business hasn't started its social responsibility efforts yet, it's never too late.

- In the online course Sustainable Business Strategy, Harvard Business School Professor Rebecca Henderson implores professionals to start with purpose and build the business case from there. What's an issue that impacts your business, customers, or community? Start by identifying a cause that's important to members of your organization, and then brainstorm a quantifiable goal you can set that would help that cause.

- To make the business case to skeptical members of your team, consider the publicity value, customer and employee loyalty, and return on investment of committing to a sustainable or socially impactful cause. find out which non-profit organizations and social causes your employees would like to support, and how you can incorporate your employees' interests into your business plan. You also need to discuss what your employees have done in the past, and find out what other companies are doing in your business space

- If you or your colleagues are looking for a formal foundation in sustainable capitalism and how to be a socially responsible business, explore Sustainable

Business Strategy to build the necessary skills to do well as a business while doing good in the world.

- Once the ball is rolling, design a CSR report outlining your company's efforts. Even if it's just a few pages long, explaining your efforts, impact, and plans is worth the time. If you're driven by purpose and a clear plan, others may read about it and support your business on its journey toward corporate social responsibility.

A CSR, corporate social responsibility or sustainability report is a periodical (usually annual) report published by companies with the goal of sharing their corporate social responsibility actions and results.

The report synthesizes and makes public the information organizations decide to communicate regarding their commitments and actions in social and environmental areas. By doing so, organizations let stakeholders (i.e., all parties interested in their activities) aware of how they are integrating the principles of sustainable development into their everyday operations.

Purpose of a CSR Report

The main intention of a CSR or sustainability report is to improve the transparency of organizations' activities.

The goal is twofold:

On one hand, CSR reports aim to enable companies to measure the impact of their activities on the environment, on society and on the economy (the famous triple-bottom-line). In this way, companies can get accurate and insightful data which will help them improve their processes and have a more positive impact in society and in the world.

On the other hand, a CSR or sustainability report also allows companies to externally communicate with their stakeholders what are their goals regarding sustainable development and CSR. This allows stakeholders such as employees, investors, media, NGOs, among other interested parties, to get to know better what are the short, medium and long-term goals of companies and make more informed decisions. These decisions can spread from investing in a business, buying its products, writing positive (or negative) reviews, protesting in the streets against the intentions or actions of an organization.

Why is CSR Reporting important?

What are the Benefits of Communicating Sustainable Practices?

CSR and sustainability reports can be used to achieve both internal and/or external goals.

Internal Organizational Benefits of a Sustainability Report

Internally speaking, CSR reports are important because they allow companies to estimate the impact their operations have on the environment, society, and the economy. Through the (supposedly) detailed and meaningful data collected (or simply gathered) for the sustainability report, companies have a chance to improve their operations and to reduce operational costs. Not only do they become better prepared to optimize and reduce their energy consumption; as a result of reviewing their waste cycles product innovation strategies or circular economy opportunities can be found.

At the same time, collecting this data requires joint efforts from different departments. As a result of the hype that’s created, employees often end up becoming more conscious the company is focusing on CSR and sustainability, which leaves them proud – increasing employee retention and decreasing turnover (and its costs). It’s good news for employer branding.

External Organizational Benefits of a Sustainability Report

When it comes to external benefits, a CSR and sustainability report can help companies engage better with their interested parties. By letting their stakeholders know about the organization’s short, medium and long-term project decisions, companies can be better understood which may have positive financial outputs.

For instance, a sustainability report helps stakeholders become aware of whether a company is positively contributing to minimizing the negative impacts of an environmental hazard or that it is only focused on growing profits for its managers and investors. Silence is also a way of communication and if no sustainability report is found the odds are people will focus on the second option just mentioned.

In this way, consumers can decide whether they want to buy from a brand that protects orangutans by sourcing sustainable palm oil or one that produces clothes locally with little environmental harm and paying fair wages. Investors can anticipate if companies are becoming more resilient to face consequences of climate change and decide whether to invest in them or not. Journalists can share best case practices from companies leading the way on topics such as microplastics pollution or ocean acidification. NGOs can exert pressure and expose irresponsible practice.

Are CSR Reports Mandatory?

It isn’t (at least yet) mandatory for all companies to make their own CSR or sustainability reports. Yet, directive 2014/95 from the European Union demands large companies to reveal certain non-financial information about how they operate and run their social and environmental challenges. This means it is mandatory for large public interest entities to disclose non-financial information.

Specifically, it’s mandatory that these organizations give insights about how they’re taking care of environmental, social and personnel concerns. Diversity and inclusion, respect for human rights, and the fight against corruption and bribery inside businesses and within value chains are issues that must be contextualized too. Consequently, specific organizational data needs to be provided about the policies being pursued, as well as their outcomes. The main organizational risks identified and how they’re being managed, together with the financial indicators used must be presented as well.

This kind of information helps consumers, investors, policymakers and other stakeholders to evaluate the non-financial performance of large companies and encourages organizations to develop sustainable business strategies that can be up to the expectations.

What's included in a Sustainability Report?

There's is no one-size-fits-all approach to designing a sustainability report. While some (medium-large) organizations choose to write a standardized report that becomes along with certification, others opt instead for a free-style sustainability report. Either way, what is often included in a sustainability report is:

1. A CEO statement that briefly introduces the vision and the drivers behind the sustainability report;

2. A presentation of the organization's governance structure and business model;

3. The sustainability context, i.e., kind of a SWOT analysis explaining what's happening at the market and industry levels;

4. Inspired by the SWOT analysis, an impact assessment can be done to identify the organization's main negative impacts and business risks (in which indicators to measure progress are also identified);

5. An identification of the organization's main stakeholders and the issues that worry them the most;

6. A materiality analysis in which the main worries of the organization (4) and stakeholders (5) are identified as the priorities;

7. An overview of performance over time in which progress over time is shared – via key indicators and metrics;

8. Some stories and appealing pictures of how the sustainability strategy is leaving employees more motivated to work, investors more willing to invest or NGOs collaborating in strategic projects;

A good CSR report should address the issues deemed most pressing by its industry context and its shareholders, including the local community.

According to the Global Reporting Initiative (GRI), principles for measuring reporting quality include balance, comparability, accuracy, timeliness, clarity, and reliability. CSR reports should provide balanced information for making them decision-useful for stakeholders. According to GRI (2006), “the report should reflect positive and negative aspects of the organization’s performance to enable a reasoned assessment of overall performance”. Existing research found that companies disclose more positive events over the so-called adverse events and criticizes companies for not providing balanced information. Comparability of CSR information is another principle for providing quality CSR information that allows users or stakeholders to assess the performance of organizations. According to GRI (2006) “reported information should be presented in a manner that enables stakeholders to analyze changes in the organization’s performance over time and could support analysis relative to other organizations”. Measurement of a firm’s performance over time and comparability with the other organizations in the same industry is the essential characteristic of quality disclosure.

Accuracy of information is essential for the quality of CSR disclosure. GRI explains accuracy as “the reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization’s performance”. Stakeholders, and investors should examine the quality of information through these principle. Managers who make decisions regarding green investment use these principles to obtain quality information. Timeliness is the fourth principle of quality disclosure of CSR, though it is not taken seriously in the literature of sustainability disclosure. Timeliness is defined in the disclosure principle of GRI as the disclosure of CSR information according to a regular schedule; the information should be available in time for stakeholders. This principle also indicates that recent information should be communicated helpfully to help stakeholders in decision making.

Clarity is the fifth principle of CSR disclosure quality. Under this principle, disclosure of CSR information must be understandable, usable, and accessible by all stakeholders to find specific information without great effort (GRI, 2016). Researchers argued that lack of clarity, such as unnecessary and excessive information, acronyms, jargon or confusing language, is found in CSR disclosure, and misguides the stakeholders. In addition to this, GRI recommends using maps, graphics, links, indices, tables, and other content so that stakeholders' understanding will not be limited. Finally, the information in CSR disclosure should be reliable. According to GRI (2016, , processes used to prepare a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination.

CSR Reporting is an essential instrument for ensuring the transparent information of companies towards sustainable performance. Both shareholders and stakeholders demand financial as well as non-financial information for sustainable value creation. Stock exchanges worldwide have placed extra pressure on standard setters and listed companies to disclose CSR information. Issuance of CSR reports is becoming a norm among various largest companies globally. Despite an increasing trend toward the publication of CSR reports, the quality of these reports is a contentious issue. CSR reporting has been criticized for its lack of relevance and credibility and its failure to impact sustainable development. The quality of the information is vital to enabling stakeholders to make sound and reasonable performance assessments and take appropriate actions.

UNIT V

CSR Audit and standards:

CSR Audit; Various issues relating to CSR Audit – preparing and filling of annual CSR report – sustainability of CSR Audit – Developing a CSR Audit programme- CSR Audit Checklist ; benefits of CSR Audit- Review of successful corporate initiatives and challenges of CSR – CSR Rating, CSR awards , Social Accountability (SA8000) – Indian Standard Organisation (ISO- 26000-2010) – GST component in CSR.

Corporate Social Responsibility Audit

Requirement of audit of CSR activities seems not to be mandatory as per Companies Act 2013. However, various provisions of the Companies (Company Social Responsibilities Policy) Rules 2014 require the monitoring and reporting mechanism for CSR activities. These include:

1 Provison to subrule (2) of Rule 4 Provided that if, the Board of a company decides to undertake its CSR activities through a company established under Section 8 of the Act or a registered trust or a registered society, other than those specified in this sub-rule, such company or trust or society shall have an established track record of three years in undertaking similar programs or projects; and the company has specified the projects or programs to be undertaken, the modalities of utilisation of funds of such projects and programs and the monitoring and reporting mechanism.

2 Sub-Rule (2) of Rule 5 The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

3 Sub-rule (1)(b) of Rule 6 The CSR Policy of the company shall, interalia, include monitoring process of such projects or programs.

Hence, monitoring of CSR activities and its reporting is mandatory as per the Companies (Company Social Responsibilities Policy) Rules 2014. Also, it is the responsibility of the Company (through CSR Committee) to monitor the funds of the Company which are to be utilized as per the CSR Policy of the Company.

Wherever, the Company is complying with its CSR obligations by merely making contribution (donation) which is specifically allowed as per Schedule VII of the Act, there would not be any requirement of obtaining any report of such contribution made.

However, where the CSR obligation is done through a third party as per sub-rule (2) of Rule 4 of the CSR Policy Rules, report of utilization of funds should be obtained from that third party's auditors by the Company's CSR Committee to have an effective CSR compliance of the monitoring and reporting requirements of the CSR Policy Rules.

Responsibility of Auditors

Wherever a Company undertakes CSR activity itself, the auditor of the company should ensure that:

• The activity/ project undertaken is within the purview of Schedule VII of the Act

• If mere contribution/donation is given, then the same is specifically allowed as per Schedule VII of the Act.

• Separate disclosure of expenditure on CSR activities is made as per Schedule III of the Act.

• The expenditure on the project is incurred as per Companies (CSR Policy) Rules 2014.

• The company has complied with applicable Accounting Standards in accounting, recognition and disclosure related to CSR spend.

• He has complied with relevant Standards on Auditing for audit of CSR spend including:

o SA 250 - Consideration of Laws and Regulations in an Audit of

Financial Statements.

o SA 720 (Revised) - The Auditor's Responsibilities Relating to Other Information

He has complied with the Guidance note on Audit of Expenses. Wherever a Company undertakes CSR activity through a Third Party being eligible.

Section 8 Company / Registered Trust / Registered Society, the company should obtain an Independent Practitioner's Report on Utilisation of such CSR Funds from the auditor / CA in practice of the third party, to whom the funds are given by the Company for implementing CSR activity. The auditor /CA in practice of the third party before issuing the Independent Practitioner's Report on Utilization of CSR Funds should ensure that:

• The third party has spent the funds on CSR activities as per Section

135 of the Companies Act, 2013, read with Schedule VII to the Act and

related regulations.

• Verification of the CSR spend has been done as per Guidance Note on

Audit of Expenses issued by ICAI.

• The utilization of CSR Funds report is issued in accordance with the

Guidance Note on Reports or Certificates for Special Purposes issued

by the Institute of Chartered Accountants of India.

CSR audit assesses a company's overall performance against its core values, ethics policy, internal operating practices, management systems, and, most importantly, the expectations of key stakeholders — owners, employees, suppliers, customers, and local communities.

The CSR audit is a tool for decision making and for strategic management.

Just like a financial audit, there are various CSR standards against which a CSR Audit can take place such as:

- Global Compact

- Global Reporting Initiative

- Good Business Framework

CSR issues that a CSR Audit should cover?

1. Human Rights: Fundamental Human Rights, Freedom of association and Collective bargaining, Non discrimination, Forced labor, Child labor

2. Business Behavior: Relations with clients, suppliers and sub-contractors, Prevention of corruption and anti-competitive practices

3. Human Resources: Labor relations, Working conditions, health and safety, career development and training, Remuneration system

4. Corporate Governance: Board of Directors, Audit and internal controls, Treatment of shareholders, Executive remuneration

5. Environment: Incorporation of environmental considerations into the manufacturing and distribution of products, and into their use and disposal

6. Community Involvement: Impacts on local communities, contribution to social and economic development, General interest causes

The Companies Act, 2013, currently, does not mandate companies to conduct any social audit of their CSR activities. From this year, with the introduction of CSR-2 form, corporates must file a report on CSR to the registrar with detailed information on the projects where they are spending.

CSR reporting is the practice of reporting an organization's performance of non-financial metrics, providing transparency on the organization's impact on society and the environment. Typically released on an annual basis, CSR performance reporting is voluntary.

Formal strategic process that will help to measure the company's actual social performance against the social objectives it has set for itself, and to ascertain how far decision making, mission statement, guiding principles, and business conduct are aligned with social responsibilities. The audit helps in discovering the interests and objectives of the employees and stakeholders. Company has to scoring the company's performance in such general areas as employee benefits, plant safety, ecology, and community involvement in social causes. The auditing process may be conducted internally by the company. However, company can choose to have audit conducted by an outside consultant who will impose minimal biases, which may prove to be more beneficial to the company. Consider that fact as with a financial audit, an outside auditor brings credibility to the evaluation. This credibility is essential if management is to take the results seriously and if the general public is to believe the company's public relations, social cause activities, and social cause marketing.

Once the social responsibility audit is complete it may be distributed internally, or both internally and externally, depending on the company's goals and findings. Some companies publish a separate periodic report on their social initiatives and later have it available on their Web site. And nearly all publicly traded companies now include a section in their annual report devoted to social responsibility activities.

The audit may be used for more than simply monitoring and evaluating the company's social performance. For example, you may also use the auditing process to scan your external environment and to determine your company's vulnerabilities, then decide to launch new social cause initiatives within your company. Companies searching to differentiate themselves in their marketplace start with an audit to help them creative new social cause marketing initiatives with non-profits. These initiatives aid in capturing market share from direct competitors, and even help introduce new products.

Step1 Situation Analysis

– Have you violated any of your Corporate Social Responsibilities?

– If so, why? What happened? Who else knows about these violations?– What about any your suppliers? What about any of your buyers? What about any of your direct competitors? Have any of them ever violated any of their responsibilities? Why?

– What is your mission statement and how does it align with your responsibilities to your community and stakeholders? What about your goals? What about your corporate values? Does your business plan reflect what you are finding?

– What does your community and stakeholders think about your company? What about your industry? What about your competitors? What about your end users, your customers?

– Are your findings positive or negative? What are the trends and direction?

Step 2: Benchmark

– How would you describe, define the ethical standards and norms in your industry?

– Do you have a corporate code of conduct? How did it come about?

– How do you share it, communicate your corporate code of conduct with your employees? How do you know that they know it?

– When was the last time you reviewed it? Does it need any changes?

– What about your competitors? Do they have a corporate code of conduct?

– What are your direct competitors doing in respect to social cause programs?

– Which social cause programs have worked in your industry? Why?

– Which social cause programs have not worked in your industry Why not?

– What does the future, the trend analysis, indicate for your industry?

– What other significant trends are shaping your industry? What about regulations that may impact your industry? How did they come about? What is their root cause?

– How are companies in other industries complying with their social responsibilities that are similar to yours?

Step 3 Brainstorm

– Based on your findings and discovery above, what can you do differently, to strategically set your company apart?
– What do you want to do better? What things need improvement at your company?
– What do you want to continue doing? What are the things you are doing better than your competitors?
– What area of your community, or who in the community, is most affected by your business? How?
–What community issues are likely to affect your business and/or employees?
–What role does your company want to play in the community?
–What have you done in the past to help this relationship?
– Wat are your employees' interests and to which social causes are they committed?
– Does your business plan, business strategy fit well with what you are uncovering so far?
–Does your business plan, business strategy need to be reworked?
–What would be the timeline on getting your plan and strategy revised?
– Who could help you with this process?

Step 4: Evaluate Alternatives

Consider each one of these alternatives: Sponsorship, co-branding, licensing, new product promotion, philanthropic investments, donations of products and services, and employee involvement.
– Which one(s) seem best for your situation analysis? Why?
– What does your corporate leadership team think? What do your employees think?
– How are you going to evaluate and measure the outcomes for your social cause initiatives?
– What kind of resources are you willing to commit? For how long?
– How will you know you are doing well? Who is going to be the judge of that?
– How are you going to get your employees motivated and passionate to get behind your choice?
– How are you going to select an alternative? Who is going to help you select?

Step : Create the Action Plan

– What are the key talking points of your audit you feel you need to communicate right now?

– Do you feel you are you going on the “offensive?” Or the “defensive?” Why?

– Which social cause initiative looks like the best answer for your situation? Why?

– What are some of your deadlines to get started? How fast should you be moving on this?

– What moves do you think your direct competitors will do once you launch your social cause initiative or program?

– With whom should you be sharing your audit? How are you going to share your audit? – What do you expect them to feel, to think and to do once they read your audit?

– What do you need to share and when–with your internal stakeholders, executives, employees, investors, etc.? With your external stakeholders, suppliers, buyers, local communities, and the media?

– Who can help you prepare a summary of your corporate social responsibility audit?

– Who is going to be the person in charge of creating and launching your new social cause initiative?

ISSUES OF CSR

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

The Shrinking Role of Government

In the past Governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

Demands for Greater Disclosure

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

Increased Customer Interest

There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers. In a recent survey by Environics International, more than one in five consumers reported having either rewarded or punished companies based on their perceived social performance.

Growing Investor Pressure

Investors are changing the way they assess companies' performance, and are making decisions based on criteria that include ethical concerns.

Competitive Labour Markets

Employees are increasingly looking beyond paychecks and benefits, and seeking out employers whose philosophies and operating practices match their own principles. In order to hire and retain skilled employees, companies are being forced to improve working conditions.

Supplier Relations

` As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some companies are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation. The concept of CSR had different meanings depending on the stakeholder and that depending on the specific situation of the enterprise's expectations can also vary.

Preparing and filing of annual CSR report

Companies are required to mention the composition of the CSR committees along with other details such as the name and designation of directors, number of CSR committee meetings held during the year, and attendance of each director in committee meetings.

CHALLENGES OF CSR

1. Lack of Community Participation in CSR Activities:

There is a lack of interest of the local community in participating and contributing to CSR activities of companies. This is largely attributable to the fact that there exists little or no knowledge about.

CSR within the local communities as no serious efforts have been made to spread awareness about CSR and instill confidence in the local communities about such initiatives. The situation is further aggravated by a lack of communication between the company and the community at the grassroots.

2. Need to Build Local Capacities:

There is a need for capacity building of the local nongovernmental organizations as there is serious dearth of trained and efficient organizations that can effectively contribute to the ongoing CSR activities initiated by companies. This seriously compromises scaling up of CSR initiatives and subsequently limits the scope of such activities.

3. Issues of Transparency:

Lack of transparency is one of the key issues of CSR. There is an expression by the companies that there exists lack of transparency on the part of the local implementing agencies as they do not make adequate efforts to disclose information on their programs, audit issues, impact assessment and utilization of funds. Lack of transparency negatively impacts the process of trust building between companies and local communities, which is a key to the success of any CSR initiative at the local level.

4. Non-availability of Well Organized Non-Governmental Organizations:

It is also reported that there is non-availability of well-organized nongovernmental organizations in remote and rural areas that can assess and identify real needs of the community and work along with companies to ensure successful implementation of CSR activities. This also builds the case for investing in local communities by way of building their capacities to undertake development projects at local levels.

5. Visibility Factor:

The role of media in highlighting good cases of successful CSR initiatives is welcomed as it spreads good stories and sensitizes the local population about various ongoing CSR initiatives of companies. This apparent influence of gaining visibility and branding exercise often leads many nongovernmental organizations to involve themselves in event-based programs; in the process, they often miss out on meaningful grassroots interventions.

6. Narrow Perception towards CSR Initiatives:

Non-governmental organizations and Government agencies usually possess a narrow outlook towards the CSR initiatives of companies, often defining CSR initiatives more donor-driven than local in approach. As a result, they find it hard to decide whether they should participate in such activities at all in medium and long run.

7. Non-availability of Clear CSR Guidelines:

There are no clear-cut statutory guidelines or policy directives to· give a definitive direction to CSR initiatives of companies. It is found that the scale of CSR initiatives of companies should depend upon their business size and profile. In other words, the bigger the company, the bigger is its CSR program.

8. Lack of Consensus on Implementing CSR Issues:

There is a lack of consensus amongst local agencies regarding CSR projects. This lack of consensus often results in duplication of activities by corporate houses in areas of their intervention. This results in a competitive spirit between local implementing agencies rather than building collaborative approaches on issues. This factor limits company's abilities to undertake impact assessment of their initiatives from time to time.

. **Developing a CSR Audit Program**

A CSR audit program can cover all or any of the following risks:

Effectiveness of the operating framework for CSR implementation
Effectiveness of implementation of specific, large CSR projects
Adequacy of internal control and review mechanisms
Reliability of measures of performance
Management of risks associated with external factors like regulatory compliance, management of potential adverse NGO attention, etc

` An organization's social responsibility initiative may include many component programs addressing both internal and external considerations including:

1. **Donating Funds & Resources** – Management should ensure that donations are carefully reviewed and based upon sound judgment. Although this is a very common type of community involvement the timing, amount of funds, and type of gifts should be considered. Some companies allow personnel to volunteer in the community on paid time.
2. **Project Implementation** – Companies often embark on large CSR projects that are aimed at delivering high Brand or business impact. These projects may typically run over a long time horizon and involve significant investment of time and resources, both monetary and people. Setting of clear objectives, adequate resourcing, effective monitoring and independent reviewof project performance are critical to success.
3. **Communications** – Establish effective plans to communicate to employees and the public to describe the organizations actions and the

related impact to the community, assess public relations and the adequacy of the PR function in addressing social issues.

4. **Social Responsibility Analysis** – Organizations can allocate dedicated resources to identify, evaluate, and research social responsibility issues, Establishing liaisons with community groups and working with those responsible for public welfare or the environment will help the organization understand and address appropriate issues.
5. **Managerial Policies & Decision Support** – all organizational levels and objectives should incorporate social responsibility plans. These intentions may be included in policy and procedures, statements to the public, marketing campaigns, and made transparent to the public. Management decisions should incorporate social responsibility considerations especially those that directly impact the community. For example, operations or plants that create noise, traffic, or pollution, or that impinge on any part of the community should include a social responsibility component.
6. **Research & Development** – Organizations can conduct research into alternative methods or approaches to operations or products that reduce or remove undesirable impacts or by products.For example, manufacturing companies can support recycling programs for printer ink cartridges and other products to ensure proper disposal or reuse.
7. **Government Program Participation** – companies collaborate with government agencies to provide research on issues often along with their industry competitors. Organizations that better understand the problems at issue and the governments responsibilities can help ensure they are part of the solution rather than part of the problem. Companies can also ensure related legislation and regulatory mandates are sound, effective, and incorporate common interests.

Corporate Social Responsibility Checklists

An audit is an important Management Information System (MIS) tool upon which many management decisions are dependent. The purpose of any audit is to acquire information and provide additional discipline on the internal processes to validate proper functioning of the specific system.

Benefits of such an exercise in reducing the waste and cost and improving the efficiency and efficacy in the system are evident.

Need for CSR audit

A CSR audit is a management tool comprising a systematic, documented, periodic, and objective evaluation of how well CSR organization, process and management are performing with the aim of creating social value to stakeholders.

It is an independent evaluation of:

i) Compliance to policy and principles,

ii) Compliance to systems, procedures, and practices,

iii) Performance of elements relating to CSR,

iv) Compliance to regulatory requirements, and

v) Reliability of data management, records, and disclosure.

The advantages of such an exercise are not only assuring conformance/ compliance with statutory requirements but also reducing social risk and liability; and increasing efficiency and efficacy of CSR projects. A good system of audit is the backbone of every successful programme. The process of audit gives a better understanding of the monitoring practices, availability of records, and input for evaluation of programmes.

SCOPE OF CSR AUDIT

The output is the quantitative impact of the CSR activities carried out by the organization. The audit will include assessment of the physical changes that have taken place during an identified span of time because of the activities undertaken. This impact would vary depending upon the efficiency of the community development activities carried out, the number of intended beneficiaries identified, and the social/physical infrastructure provided to the community.

I. Audit for financial resources and utilisation

This covers the primary aspects of the project management that is, if the CSR project was delivered within time, within estimated cost and with required quality. This is generally covered under the financial audit of the corporate.

II. Audit for compliance to the Companies Act and the CSR policy & CSR Audit

This will ensure that the system and process both under the Companies Act and under the corporate plan, strategies and policies are complied with. It will also enable the company to examine and ensure that the CSR is fully integrated into business processes, business plans and business risk register.

i) Compliance with the Companies Act

This covers the audit of compliance to processes identified in the section 135 of the Companies Act. This may include how the CSR projects are identified, CSR goals established, and CSR projects formulated. It also covers auditing the identification of CSR projects vis a vis the activities identified under Schedule VII of the Companies Act and the clarifications given by Ministry of Corporate Affairs from time to time.

ii) Effectiveness of CSR policy

This covers the audit of the effectiveness of the CSR policy, whether it has given the desired results and what changes have been made or should be made to deliver the stated aims and objectives of the policy.

iii) Identification and formulation of CSR projects

The audit will cover the identification and the formulation of the CSR projects including defining the output and outcome that it intends to achieve. The audit will cover whether adequate resources were deployed to achieve the objective. The audit will also cover whether the need assessment survey was aligned with the national goals and the sustainable development goals as per the national plan of the government.

iv) Institutional setup

The audit will cover the assessment of the deployment of suitable human resources and their efficient utilisation by the implementing agency whether in-house or through an NGO or any other lawful agency. The human resource audit would identify the suitability of the staff deployed and their training needs. The audit would provide data to the management on efficient use of the resources per unit of production thereby reducing resource consumption and minimising the waste. The audit will cover the training requirement and management of the CSR staff and the NGO deployed for planning and implementation of the CSR activities.

v) Data management

The audit will cover the adequacy of the data management system and the communication system with the stakeholders and the beneficiaries.

vi) Stakeholder engagement

The CSR projects are the only activity which a company does not plan for its own benefit but for the benefit of communities which are its stakeholders. Hence, the stakeholder engagement becomes the most important aspect of planning, implementing, and reporting. Without appropriate engagement, the objective of implementing the CSR projects gets distorted and perceived to benefit the company rather than the stakeholders.

III. Audit of outcome as per the project report

Social impact evaluation basically means the evaluation of qualitative impact of the community development programmes carried out by the organization for the community. The evaluation includes assessment of the awareness and perception of the people for whom the activities were aimed. The assessment could be on the economic aspect or the sociocultural aspect or on both the aspects. This impact would vary depending upon the effectiveness of the community development (CD) activities carried out.

Social impact evaluation would help to determine the extent to which the community people have got benefited from the CSR-CD activities implemented for them and whether CSR-CD activities have been able to bring desired changes in the educational/ health/ economic status of the communities.

The audit will include assessment of the outcomes such as:

i) The short term and long term social/cultural/economic impacts of the CSR- CD activities on the community.

ii) The effectiveness of the existing programmes/activities with respect to CSR Audit as to the needs of the community.

iii) The contribution of CSR-CD activities in raising the living standard of the people.

It would help to analyse the objectives and results of the programmes executed thereby making sure that the current programmes conform to the needs of the communities.

CSR Ratings

A CSR assessment is an evaluation of how well a company has integrated corporate social responsibility (CSR) into its business. CSR is a business model that encourages companies to consider and address environmental, social and ethical issues in their supply chains.

CSR Award

Ministry of Corporate Affairs has instituted National CSR Awards to recognize corporate initiatives in the area of corporate social responsibility (CSR) to achieve inclusive growth and inclusive and sustainable development.

Benefits of a CSR audit:

- Increased awareness of supply chain practices and potential compliance risks
- Crucial data for informed decision making
- The opportunity to improve working conditions among suppliers
- A reputation for social responsibility and transparency

There are many benefits derived from applying a CSR policy in a company. The CSR policy gives a method of influencing attitudes and perceptions with customers and the local community. There is a growing pressure on Organizations to manage risks (the BP oil spill catastrophe is an example) and the investigations undertaken when assessing CSR, help to identify areas of risk. It is found that most people want to work in a company that has the same values as their own, improving the CSR can lead to a better quality of applicants for jobs.

Also, it should be noted that a far greater percentage of CSR applying companies still exist from this period, than of those that did not apply a CSR strategy.

Social Accountability 8000 (SA8000)

The SA8000 Standard is an auditable certification standard that encourages organizations to develop, maintain, and apply socially acceptable practices in the workplace. It was developed in 1989 by Social Accountability International, formerly the Council on Economic Priorities, by an advisory board consisting of trade unions, NGOs, civil society organizations and companies.

The SA8000's criteria were developed from various industry and corporate codes to create a common standard for social welfare compliance. The current (2014) version of the standard is built on earlier 2001, 2004 and 2008 versions.

Certification

SA8000 certification is a management systems standard, modeled on ISO standards. The criteria require that facilities seeking to gain and maintain certification must go beyond simple compliance to the standard. Prospective facilities must integrate it into their management practices and demonstrate ongoing compliance with the standard. SA8000 is based on the principles of international human rights norms as described in International Labour Organization conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights. It measures the performance of companies in eight areas important to social accountability in the workplace: child labour, forced labour, health and safety, free association and collective bargaining, discrimination, disciplinary practices, working hours and compensation.

Performance criteria

It also requires compliance with eight performance criteria, as outlined on the Social Accountability International website.

Child Labor: No use or support of child labor; policies and written procedures for remediation of children found to be working in situation; provide adequate financial and other support to enable such children to attend school; and employment of young workers conditional.

Forced and Compulsory Labor: No use or support for forced or compulsory labor; no required 'deposits' - financial or otherwise; no withholding salary, benefits, property or documents to force personnel to continue work; personnel right to leave premises after workday; personnel free to terminate their employment; and no use nor support for human trafficking.

Health and Safety: Provide a safe and healthy workplace; prevent potential occupational accidents; appoint senior manager to ensure OSH; instruction on OSH for all personnel; system to detect, avoid, respond to risks; record all accidents; provide personal protection equipment and medical attention in event of work-related injury; remove, reduce risks to new and expectant mothers; hygiene- toilet, potable water, sanitary food storage; decent dormitories- clean, safe, meet basic needs; and worker right to remove from imminent danger.

Freedom of Association and Right to Collective Bargaining: Respect the right to form and join trade unions and bargain collectively. All personnel are free to: organize trade unions of their choice; and bargain collectively with their employer. A company shall: respect right to organize unions & bargain collectively; not interfere in workers' organizations or collective bargaining; inform personnel of these rights & freedom from retaliation; where law restricts rights, allow workers freely elect representatives; ensure no discrimination against personnel engaged in worker organizations; and ensure representatives access to workers at the workplace.

Discrimination: No discrimination based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, union membership, political opinions and age. No discrimination in hiring, remuneration, access to training, promotion, termination, and retirement. No interference with exercise of personnel tenets or practices; prohibition of threatening, abusive, exploitative, coercive behavior at workplace or company facilities; no pregnancy or virginity tests under any circumstances.

Disciplinary Practices: Treat all personnel with dignity and respect; zero tolerance of corporal punishment, mental or physical abuse of personnel; no harsh or inhumane treatment.

Working Hours: Compliance with laws & industry standards; normal workweek, not including overtime, shall not exceed 48 hours; 1 day off following every 6 consecutive work days, with some exceptions; overtime is voluntary, not regular, not more than 12 hours per week; required overtime only if negotiated in CBA.

Remuneration: Respect right of personnel to living wage; all workers paid at least legal minimum wage; wages sufficient to meet basic needs & provide discretionary income; deductions not for disciplinary purposes, with some exceptions; wages and benefits clearly communicated to workers; paid in convenient manner – cash or check form; overtime paid at premium rate; prohibited use of labor-only contracting, short-term contracts, false apprenticeship schemes to avoid legal obligations to personnel.

Certification is granted by independent certification bodies that are accredited and overseen by Social Accountability Accreditation Services (SAAS). There are 23 accredited certifications bodies worldwide.

INDIAN ORGANISATION STANDATAISATION

Organizations around the world, and their stakeholders, are becoming increasingly aware of the need for and benefits of socially responsible behaviour. The objective of social responsibility is to contribute to sustainable development.

An organization's performance in relation to the society in which it operates and to its impact on the environment has become a critical part of measuring its overall performance and its ability to continue operating effectively. This is, in part, a reflection of the growing recognition of the need to ensure healthy ecosystems, social equity and good organizational governance. In the long run, all organizations' activities depend on the health of the world's ecosystems. Organizations are subject to greater scrutiny by their various stakeholders. The perception and reality of an organization's performance on social responsibility can influence, among other things:

- Its competitive advantage;
- Its reputation;
- Its ability to attract and retain workers or members, customers, clients or users;
- The maintenance of employees' morale, commitment and productivity;
- The view of investors, owners, donors, sponsors and the financial community; and
- Its relationship with companies, governments, the media, suppliers, peers, customers and the community in which it operates.

This International Standard provides guidance on the underlying principles of social responsibility, recognizing social responsibility and engaging stakeholders, the core subjects and issues pertaining to social responsibility and on ways to integrate socially responsible behaviour into the organization. This International Standard emphasizes the importance of results and improvements in performance on social responsibility.

This International Standard is intended to be useful to all types of organizations in the private, public and non-profit sectors, whether large or small, and whether operating in developed or developing countries. While not all parts of this International Standard will be of equal use to all types of organizations, all core issues are relevant to every organization. It is an individual organization's responsibility to identify which issues are relevant and significant for the organization to address, through its own considerations and through dialogue with stakeholders.

Governmental organizations, like any other organization, may wish to use this International Standard. However, it is not intended to replace, alter or in any way change the obligations of the state.

Every organization is encouraged to become more socially responsible by using this International Standard.

Recognizing that organizations are at various stages of understanding and integrating social responsibility, this International Standard is intended for use by those beginning to address social responsibility, as well as those more experienced with its implementation. The beginner may find it useful to read and apply this International Standard as a primer on social responsibility, while the experienced user may wish to use it to improve existing practices and to further integrate social responsibility into the organization.

This International Standard provides guidance to users and is neither intended nor appropriate for certification purposes. Any offer to certify to ISO 26000 or any claim to be certified to ISO 26000 would be a misrepresentation of the intent and purpose of this International Standard.

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

International Standards are drafted in accordance with the rules given in the ISO/IEC Directives, Part 2.

The main task of technical committees is to prepare International Standards. Draft International Standards adopted by the technical committees are circulated to the member bodies for voting. Publication as an International Standard requires approval by at least 75 % of the member bodies casting a vote.

Attention is drawn to the possibility that some of the elements of this document may be the subject of patent rights. ISO shall not be held responsible for identifying any or all such patent rights.

ISO 26000 was prepared by ISO/TMB Working Group on Social Responsibility.

This International Standard was developed using a multi-stakeholder approach involving experts from more than 90 countries and 40 international or broadly-based regional organizations involved in different aspects of social responsibility. These experts were from different stakeholder groups: consumers; government; industry; labour; non-governmental organizations (NGOs); and service, support, research, academics and others.

In addition, specific provision was made to achieve a balance between developing and developed countries as well as a gender balance in drafting groups. Although efforts were made to ensure balanced participation of all the stakeholder groups, a full and equitable balance of stakeholders was constrained by various factors, including the availability of resources and the need for language skills.

GST COMPONENT

Relevant GST Provisions

Under GST regime, section 7 of the CGST Act, 2017 defines the term ‘Supply’ in detail. It includes all forms of supply of goods and services like sale, barter, exchange for a consideration in course or furtherance of business.

Further, section 2 of the Act provides that ‘Service’ is anything other than goods, money and securities and also has an inclusive part in it. It also states that the term ‘Consideration’ includes the monetary value of any act in response, respect or inducement for supply of goods or services

With regard to availability of Input Tax Credit (ITC), section 17 of the Act denies the availability of ITC on goods distributed free of cost. However, there is no such provision for the services given free of cost.

In general parlance, CSR activities are not considered in the nature of furtherance of business, thus, ITC on free distribution of goods under CSR is not available

GST Implication on Corporate Social Responsibility

Provisions of the Companies Act, 2013 mandates compulsory corporate social expenditure for a specific class of companies. Currently, as the entire world is going through the COVID-19 pandemic, companies are duly disbursing their Corporate Social Responsibility activity. However, the availability of input tax credit on Corporate Social Responsibility activity has been a conflicting issue.

Coverage of Corporate Social Responsibility

As per provisions of Section 135(5) of the Companies Act, 2013, the following companies are mandatorily required to meet the Corporate Social Responsibility requirements-

- A company having the net worth of INR 500 Crores or more; or
- A company having turnover of INR 1,000 Crores or more; or
- A company having a net profit of INR 5 Crores or more.

The company satisfying the above criteria is required to spend, in every financial year, a minimum of 2% of the average net profits made during the immediately preceding three financial years in pursuance of its Corporate Social Responsibility Policy.

Schedule VII of the Companies Act, 2013, covers the list of activities that may be included in the Corporate Social Responsibility Policy. Some of which are listed hereunder-

- Promoting health care, including preventive health care and sanitation (most relevant during current COVID-19 pandemic).
- Promoting education.
- Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government.
- Promoting gender equality.

`Analyzing Corporate Social Responsibility

In order to comply with Corporate Social Responsibility, the company would either be procuring goods or services for free distribution. Given the broad coverage of Goods and Service Tax, the goods or services so procured by the company would generally involve Goods and Service Tax component.

The availability/ eligibility of input tax credit of Goods and Service Tax so levied on the goods or services purchased/ obtained by the company to comply with are dealt under the following two provisions-

1. Section 16(1) of the Central Goods and Service Tax Act, 2017; and
2. Section 17(5) of the Central Goods and Service Tax Act, 2017.

- Section 16(1) of the Central Goods and Service Tax Act, 2017 deals with the eligibility and conditions for taking/ availing the input tax credit. According to said section, every registered person shall be entitled to avail the input tax credit charged on any supply of goods or services or both, which are used/ intended to be used in the course or furtherance of the business.

- In nut-shell, any goods or services used during the course or furtherance of the business would be eligible for the input tax credit. The term 'used in the course or furtherance of the business' has comprehensive coverage, and naturally, a lot of input tax credit is available, taking the same as the base.

- As seen above, specific companies are mandatorily required to comply with Corporate Social Responsibility. Accordingly, it can easily be concluded that any expenditure incurred while carrying out the Corporate Social Responsibility is incurred in the course or furtherance of the business. Hence, the company would be eligible to avail input tax credit.

- Section 17(5) of the Central Goods and Service Tax Act, 2017 covers the list of supplies for which input tax credit is not available. Referring provisions of section 17(5) in the context of Corporate Social Responsibility, it may be understood that only sub-section where the input tax credit can be denied is sub-section (h), which covers free sample i.e., free distribution of sample/ goods.

- However, it is interesting to note that provisions of section 17(5)(h) impose restrictions only on goods, and it doesn't cover the free provision of service.

CSR if treated as an integral part of the company's core business could enhance the competitiveness of business, increase efficiency of human resources, improve brand image and reputation, strengthen customer loyalty and maximise value of wealth creation to the society.